Chapter II

Planning and Financial Management

Planning

Field survey

2.1. As per the scheme guidelines, ESCOMs were required to identify need for feeder separation and critical gaps in sub-transmission and distribution network considering all relevant parameters such as consumer mix, consumption pattern, voltage regulation, Aggregate Technical and Commercial (AT&C) loss level, optimum loading of transformers and feeders/lines, *etc* and ongoing works under other schemes for efficient management of distribution system. Based on such assessment, scope of works had to be prioritized to ensure meeting the objectives of the scheme. Further, the guidelines stipulated[6] that for the purpose of Village Electrification Infrastructure and release of BPL connections, ESCOMs were required to formulate DPRs after carrying out actual field survey in each and every village and habitation to assess the infrastructure required for electrification of proposed households in the scheme area. The ESCOMs were also required to prepare single-line diagrams[7] of the villages indicating the locations of all the habitations, existing and proposed infrastructure (High Tension (HT)/Low Tension (LT) lines, Distribution Transformers), *etc*.

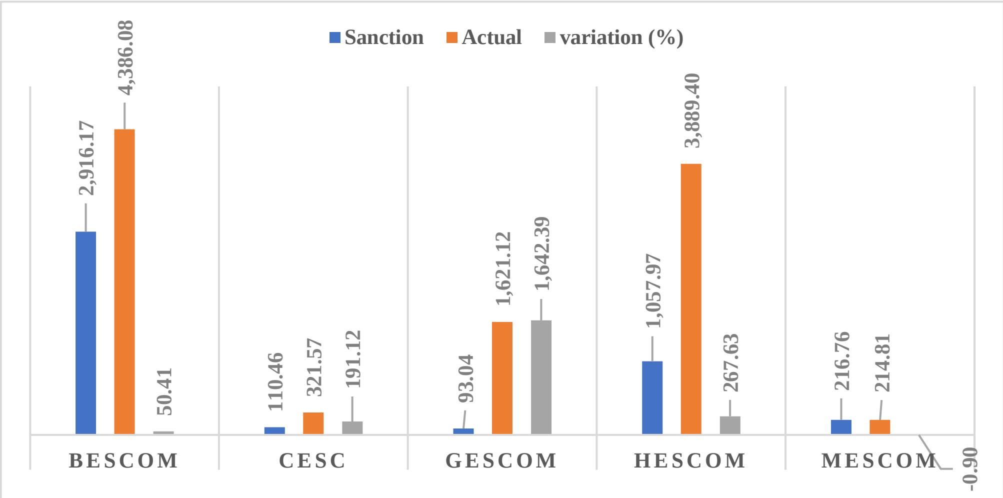
Audit observed that the ESCOMs had executed 16,711.39 circuit kilometres (CKMs) of 11kV/ LT lines and 12,301 Nos of DTCs under DDUGJY. In the test checked eight projects[8] under DDUGJY, no evidence was kept on record in support of fact that ESCOMs, while proposing these infrastructure, had considered the relevant parameters such as consumer mix, consumption pattern, voltage regulation, loading of transformers and feeders/lines, *etc*. Further, DPRs did not include single line diagrams of each village indicating locations of all the habitations and proposed infrastructure. The DPRs were not accurate as the quantities included in the DPRs had undergone significant variations during the course of execution. The extent of variations in respect of 11kV and LT lines with reference to sanctioned parameters in each of the five ESCOMs are depicted in the charts below:

[6] Guidelines for formulation of DPRs issued under RGGVY XII Plan. Separate guidelines were not issued under DDUGJY.

[7] Single-line diagram shows actual power distribution path from the incoming power source to each downstream load including the ratings and sizes of each piece of electrical equipment, their circuit conductors, and protective devices.

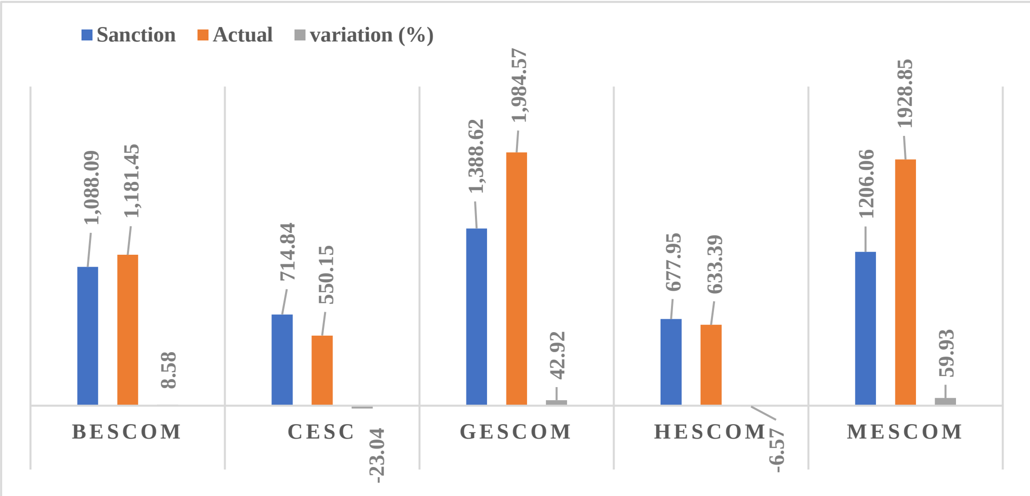
[8] Observations on remaining two test checked districts under RGGVY are dealt in ***Paragraph 2.3***.

Chart No. 2.1 (a): Percentage of actual quantities executed (11kV lines – CKMs) over sanction under DDUGJY



(Source: Data from Energy Department, GoK)

Chart No. 2.1 (b): Percentage of actual quantities executed (LT lines – CKMs) over sanction under DDUGJY



(Source: Data from Energy Department, GoK)

It could be observed that variation in the actual quantities executed over those sanctioned ranged from (-) 0.90 *per cent* to 1,642.39 *per cent* in 11kV lines and it ranged from (-) 23.04 *per cent* to 59.93 *per cen*t in LT lines. Evidently, the quantities included in the DPRs were not accurate based on the actual requirement. This also reflected that the field survey was not adequate and the relevant parameters (consumer mix, consumption pattern, loading of transformers, ongoing works under other schemes *etc)* were not considered while proposing the infrastructure. This is further supported by the fact that in the test checked eight districts, ESCOMs either failed to include certain quantities in the DPRs or included quantities which were not required. This had necessitated change in scope of works during execution and resulted in avoidable delays in completion of works. Instances noticed in audit are given below:

- Inclusion of 143 Distribution Transformer Centres (DTCs) in the DPR of Tumkur which were already executed (2016-17) under other schemes.

- Non-inclusion of shifting of meters from inside to outside of the house for 23,000 BPL households in Mandya, resulting in increase in actual quantities by 182 *per cen*t.

- Non-inclusion of 11kV line (excluding feeder segregation) in Mandya (73.96 kms), there by actual quantities had increased by 1,587 *per cent*.

- Number of consumer meters (shifting of meters) increased to 2,626 from original projection of 'nil' in the DPR of Haveri, there was significant increase in quantities. On the other hand, LT lines in Bidar district, actual quantities reduced drastically by 78 *per cent* from 28.35 kms to 6.245 kms.

- Locations for Two 11kV evacuation lines (Amruthur Muss to Hanumapura Gate and Yediyuru Muss to Silk Farm Hemavathi) in Tumkur district were changed to other location (Yadavani Muss to Valgerepura and Yediyur Muss to Ammanahatti limits) during the course of execution. This caused delays in obtaining the revised approvals (June 2018/November 2018/July 2019/) and completion of works by 12 months, works were completed in December 2020 against scheduled date of January 2019.

The Government replied (November 2021) that the DPRs were prepared after detailed survey by respective field officers in coordination with the Project Management Agency (PMA). The details such as, single line diagrams, financial analysis, *etc* were not part of data to be uploaded on DPR web portal provided by REC, and hence only the data required for uploading was entered online and DPRs were generated. The required infrastructure such as DTCs, HT, LT line, *etc* had been proposed in the DPR as per the field conditions and according to the availability of the existing system.

The reply is not acceptable. Proposals of infrastructure and preparation of DPRs without considering relevant parameters as envisaged in the scheme guidelines was not justified. In the absence of such parameters, ESCOMs had no means to assess the extent of achievement of objective. Further, quantity variations during execution reflected inadequacy of survey prior to preparation of DPRs which resulted in unnecessary delays in completion of works.

Cost re-allocation in the DPRs

2.2. As per the scheme guidelines issued by the Ministry of Power under DDUGJY, the projects were to be awarded within six months from the date of communication of approval of DPRs by MoP.

Audit observed that though the MoP approved the district-wise DPRs (30 numbers) in August 2015, the contracts in eight test checked projects were awarded only between January 2017 and September 2017, *i.e.* after lapse of 17 to 26 months from the date of receipt of approval, as against six months stipulated in the guidelines. The delay in awarding the contracts was mainly on account of re-allocation of costs in the DPRs on multiple occasions as mentioned in the table below:

Table No. 2.1: Instances of revision in approved DPR cost

Sl. No.	Instances of revision in cost
1	Revision in cost by BESCOM by increasing Rural Electrification and System Strengthening from ₹ 41.86 crore to ₹ 182.73 crore, reduction in metering cost from ₹ 66.28 crore to ₹ 14.12 crore and dropping DTCs for feeder separation (November 2015).
2	GoK based on request (October 2015) from HESCOM, had revised DPR cost twice from ₹ 247.84 crore to ₹ 334.85 crore and to ₹ 331.85 (November 2015/December 2015).
3	Considering the observations (January 2016) by REC regarding non-inclusion of villages under Sansad Adarsh Gram Yojana (SAGY) by ESCOMs, GoK re-allocated the amount twice within ESCOMs by including villages under SAGY. (January 2016/September 2016).
4	Re-allocation of expenditure within the components in HESCOM and MESCOM due to reduction in number of un-electrified villages, feeder separation works and re-allotment of DDG (September 2016).

(Source: Correspondence by ESCOM with GoK/REC)

As a result of above, ESCOMs could submit the supplementary DPRs to REC only in October/November 2016 and the approvals for district-wise/ component-wise DPRs for total cost of ₹ 1,747.48 crore[9] was given by REC in January 2017/July 2017. These delays in finalization of DPRs resulted in delay in commencement of works and deferment of envisaged benefits of electrification to the beneficiaries.

The Government in its reply stated (November 2021) that there were delays after initial approval by the Monitoring Committee in August 2015, due to change in the component-wise re-allocation of cost, inclusion of SAGY villages, decision on adopting Central Procurement Prices (CPP) for major materials, *etc*.

The reply confirms the deficiencies in preparation of DPRs, which led to multiple revisions in costs and consequent delay in commencement of works and deferment of envisaged benefits under the scheme.

Preparation of DPRs under RGGVY

2.3. As per the milestones fixed under RGGVY, the process of preparation of DPRs, its approval and award of contracts was to be completed within nine months from the notification (September 2013).

Audit observed that BESCOM[10] took 15 months to finalise the process of submission and obtaining approval of DPRs (January/February 2014),

[9] BESCOM - ₹ 236.51 crore, CESC - ₹ 280.23 crore; GESCOM - ₹ 499.31 crore; HESCOM- ₹ 333.78 crore and MESCOM - ₹ 397.65 crore.

[10] One district each in BESCOM and CESC was selected under RGGVY. Delay in submission of DPR was not observed in CESC.

uploading of recasted DPRs to the web portal (May 2014) and awarding the contracts (November 2014).

The Government stated (November 2021) that the preparation of DPRs was delayed due to the process involved, such as, survey for arriving at the cost of project, difficulty in identification of BPL households which were scattered all around villages/habitations, obtaining list of beneficiaries from authorities concerned, *etc*.

Statutory clearances

2.4. As per the guidelines issued under DDUGJY, the State Government was required to ensure availability of required land for substations and facilitate in obtaining statutory clearances (Right of Way, Forest, *etc*). These clearances were to be made available within time.

Audit noticed that works for three substations in HESCOM, 16 feeders in MESCOM and electrification works of 416 BPL households in CESC were awarded without obtaining clearances from forest/railways and without ensuring land availability. This led to delay in the completion of substation works by 10 to 24 months and loss of energy savings (37.21 million units -MUs) valued at ₹ 14.03 crore (***Paragraph 3.7.1***), deprivation of 204 villages of *24x7* power supply for more than three years (***Paragraph 3.5***) and 416 BPL households were electrified (July 2021) after lapse of five years from the scheduled date (August 2016) (***Paragraph 3.12.2***).

The Government replied (November 2021) that the details of statutory clearances though included in the DPRs, approvals could be taken only during the course of execution.

The reply is silent on the reasons for not ensuring prior clearances from the respective authorities. The Government should have ensured timely clearances to avoid delays in completion of works and deferment of envisaged benefits.

Conclusion

DPRs in the test checked eight of ten projects were not prepared after adequate field survey. The costs in the DPRs were re-allocated multiple times. Proposals for distribution infrastructure under DDUGJY were made without considering relevant specified parameters. Timely Statutory clearances from the forest/railway authorities required for execution of works were not ensured. These deficiencies resulted in wide variations in actual quantities executed with reference to approved quantities ranging from (-) 0.90 *per cent* to 1,642.39 *per cent* in 11kV lines and from (-) 23.04 *per cent* to 59.93 *per cent* in LT lines, award of contracts took 17 to 26 months from the stipulated dates against six months, and the envisaged benefits realized out of the investment on strengthening and augmentation of sub-transmission and distribution infrastructure (16,711.39 CKMs of 11kV/ LT lines and 12,301 No.s of DTCs) was not ascertainable.

Recommendations

- **The Government should 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.**

- **The ESCOMs should ensure 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.**

Financial Management

2.5. The GoI sanctioned grants separately for the projects under each of the schemes (DDUGJY, SAUBHAGYA, RGGVY, DDG). As per the scheme guidelines, ESCOMs were eligible for grant on the approved cost at the rate of 60 *per cent* under DDUGJY/SAUBHAGYA and 90 *per cent* under RGGVY/DDG. Any expenditure incurred over and above the approved cost was to be met by the ESCOMs out of their own funds or borrowings. The following table gives the details of sanctioned cost, grant/subsidy and actual cost incurred/approved under these schemes. ESCOM-wise details are given in ***Appendix-2***.

Table No.2.2: Details of total cost and grant sanctioned by GoI and actual expenditure as of February 2022

(₹ in crore)

Sl. No.	Scheme	Sanctioned cost	Grant/subsidy approved by GoI	Actual expenditure incurred by ESCOMs	Saving (-)/ Excess (5) – (3)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
1	DDUGJY	1,747.48	1,051.41	1,972.97	225.49
2	SAUBHAGYA	195.81	97.79	170.13	(-) 25.68
3	RGGVY-XII Plan	104.41	53.78	74.17	(-) 30.24
4	DDG	24.90	24.54	29.31	4.41
	Total	**2,072.60**	**1,227.52**	**2,246.58**	**173.98**

(Source: Sanction letters of MoP/REC, approved closure reports and data from Energy Department/ESCOMs)

Audit observed that the ESCOMs had incurred the overall excess expenditure of ₹ 173.98 crore over and above the sanctioned cost for the following reasons:

- **DDUGJY**–Increase in actual quantities in respect of 11kV and LT lines (-23.04 *per cent* and 1,642.39 *per cent*) over and above the sanction (***Paragraph 2.1***), excess expenditure on procurement of materials (***Paragraph 2.8***) and payment of higher tender premium to the contractors (***Paragraph 3.2***). This resulted in extra expenditure of ₹ 225.49 crore on which ESCOMs were not eligible for any grant. The entire excess expenditure was met by the ESCOMs out of borrowings/own funds.

- **SAUBHAGYA/DDG –** Savings in SAUBHAGYA were mainly on account of reduction of number of BPL households electrified under HESCOM by 8,524 as compared to sanction. In respect of DDG, excess cost was on account of electrification of more number of households (799 under CESC and 25 under MESCOM) than that sanctioned under the scheme (***Appendix-3***).

- **RGGVY XII plan** – ESCOMs had savings mainly on account of short-closure of two contracts in CESC and one contract in GESCOM. This also resulted in loss of subsidy of ₹ 25.17 crore (***Paragraphs 3.11.3, 3.11.4***). Further, ESCOMs incurred excess cost on electrification of BPL households (***Paragraph 3.11.2***).

Fee fixed to PMA without inviting tenders

2.6. As per the guidelines of DDUGJY, Project Management Agency (PMA) was to be appointed utility-wise to assist them in project management and ensuring timely implementation of the projects. For payment of fee to PMA, a grant of 0.5 *per cent* of the approved project cost or awarded cost whichever was lower was sanctioned. Any fee payable to PMA over and above the grant was to be borne by the ESCOMs. PMA was to be appointed for a period of 33 months, *i.e.* six months for completion of bidding process, 24 months for completion of works and three months for associated activities after completion of works.

The guidelines also stipulated to appoint PMA from any of the Central Public Sector Undertakings (CPSUs) or through bidding. However, the MoP advised (April 2015) Energy Department of GoK to follow competitive bidding route for hiring PMA and other related power consultancy under DDUGJY. The following table indicate the details of appointment of PMA by the ESCOMs.

Table No. 2.3: Details of additional cost incurred on appointment of PMA

(₹ in crore)

Sl. No.	ESCOM	Approved project cost	Eligible grant @ 0.5 *per cent*	Actual fee fixed @ 1.5 *per cent*	Additional cost
1	BESCOM	236.51	1.18	3.53	2.35
2	CESC	280.23	1.40	4.18	2.78
3	GESCOM	499.31	2.50	8.01	5.51
4	HESCOM	333.78	1.67	4.98	3.31
5	MESCOM	397.65	1.99	5.93	3.94
	Total	**1,747.48**	**8.74**	**26.63**	**17.89**

(Source: Sanction by REC, Agreement with PMA)

Audit observed that all five ESCOMs appointed (between June 2015 and October 2015) REC Power Development Corporation Limited (RECPDCL) as PMA without inviting tenders, by availing exemption under Section 4G of

KTPP Act, 1999[11]. Moreover, the contract price was fixed at 1.50 *per cent* of the DPR cost, without any basis on record, against 0.5 *per cent* allowed under the scheme. As a result, ESCOMs incurred additional expenditure of ₹ 17.89 crore.

The Government replied (November 2021) that M/s. RECPDCL was appointed as PMA at mutually agreed rates after seeking exemption u/s 4(g) of the KTPP Act. It was also stated that while appointing M/s. RECPDCL, the factor of advantage of easy clearance and sanctions from REC and time delay in bidding process was considered.

The reply is not acceptable as the rates at which PMA was appointed were much higher than that allowed under the scheme. This resulted in additional expenditure to ESCOMs. Appointment through bidding as directed by MoP could have fetched competitive price.

Further, on account of non-completion of works as per schedule, ESCOMs extended the services of PMA requiring further payment as discussed below.

Additional expenditure on PMA

2.7. As per the Agreement with PMA (M/s. RECPDCL) entered into by the ESCOMs (June/September/October 2015), the contract period ended between June 2018 and October 2018. However, the projects under DDUGJY were completed in March 2020/December 2020 with delay beyond the original stipulated periods. Correspondingly, the contract period of PMA was also extended[12]. The following table gives the details of additional cost incurred during extended period of contracts.

Table No.2.4: Details of additional cost incurred on extension of services of PMA

(₹ in crore)

Sl. No.	ESCOM	Original contract period	Extended contract period	Extended period (Months)	Additional cost
1	BESCOM	June 2018	December 2019	18	1.25
2	CESC	April 2018	December 2020	32	0.85
3	GESCOM	October 2018	December 2020	26	3.81
4	HESCOM	July 2018	June 2020	23	2.35
5	MESCOM	September 2018	December 2020	27	0.27
Total					**8.53**

(Source: Agreement with PMA, Extension of contract by ESCOMs)

The additional expenditure incurred by ESCOMs during the extended period of contract was ₹ 8.53 crore. Audit observed that this expenditure could have been avoided had the projects been completed within timelines. However, works

[11] As per section 4G of KTPP Act, Government may notify exemption for specific procurement from time to time without invitation of tender.

[12] BESCOM (December 2019), MESCOM (December 2020), HESCOM (June 2020), GESCOM (December 2020) and CESC (December 2020).

were delayed due to deficiencies in survey (***Paragraph 2.1***), non-resolution of bottlenecks in completion of works (***Paragraphs 3.7.1* and *3.5*),** non-performance of contractors **(*Paragraph 3.8***), *etc*.

The Government replied (November 2021) that the extension of time for completion of works was required due to delay in award and completion of distribution infrastructure works, time consumption in actual field survey by the turnkey contract agencies, obtaining list of BPL beneficiaries from the authorities concerned, *etc*.

The reply is not acceptable as the delays could have been avoided with adequate field survey, timely action to obtain list of beneficiaries, appropriate action on non-performing contractors as per terms of contract, *etc*.

Extra expenditure on procurement of materials

2.8. In order to ensure economy and quality of materials used in the works under DDUGJY, MoP/REC decided (December 2015) to procure high value materials[13] centrally at predetermined prices (Central Procurement Prices - CPP). However, at a later date (June 2016) based on requests received from the states/utilities, MoP informed that the states were free to procure materials on their own, if their rates were less than the CPP duly ensuring prescribed technical specifications.

Accordingly, ESCOMs executed the works (2017-18 to 2020-21) in eight test checked projects through turnkey contracts. The following table gives the details of high value materials used in the works and the cost incurred by ESCOMs.

Table No.2.5: Details of additional cost incurred over and above CPP rates

(₹ in crore)

Sl. No.	ESCOM	No. of projects	Material	Total cost as per CPP	Actual procurement rate	Additional cost
1	BESCOM	1	DTCs, Conductors, AB cables	20.82	27.12	6.30
2	CESC	1		15.63	24.40	8.77
3	GESCOM	2		37.02	47.26	10.24
4	HESCOM	1		1.32	1.71	0.39
5	MESCOM	3		46.90	60.87	13.97
	Total	**8**		**121.69**	**161.36**	**39.67**

(Source: CPP rates, Detailed Work Awards, Project Closure Reports)

Audit observed that ESCOMs incurred additional cost over and above the CPP in respect of three major materials[14] which worked out to ₹ 39.67 crore in the selected eight districts under DDUGJY. The action of ESCOMs in procurement of major materials at higher rates was not justified despite specific instructions

[13] Transformers, Conductors and Aerial Bunch Cable, *etc*.
[14] Transformers, Conductors and Aerial Bunch Cable of different capacities.

by MoP that the rates of such material should be less than CPP. This was an avoidable additional financial burden on ESCOMs.

The Government replied (November 2021) that as per the decision taken (August 2016) by the Energy Department/ESCOMs, tenders for high key value materials (distribution transformers, conductors, aerial bunch cables) were invited considering the average CPP rates quoted by the approved vendors under the rate contract finalised by MoP. The procurement of materials partly by department and partly by contractor could result in delay in completion of works.

The reply is not acceptable, though the tenders were invited considering the CPP rates approved by MoP, the price at which the material was procured was higher than CPP. ESCOMs were allowed to procure on their own only if the rates were less than the CPP rates. The reason that the partial procurement could have delayed the works was not based on facts, and the fact remained that projects were delayed even otherwise.

Additional financial burden

2.9. The scheme guidelines prescribed completion of project closure within 25 months of the award of contracts, *i.e.* 24 months for execution and one month for submission of project closure report. 90 *per cent* of the sanctioned grant was released in first four instalments after reaching specified milestones.

For receiving the final tranche of 10 *per cent* of the grant, ESCOMs were required to submit project completion certificate in the specified format along with report of project management agency regarding project completion, expenditure incurred and achievement of stipulated objectives in accordance with the guidelines. The details of completion of projects, submission of closure proposals and grant received/receivable are given in the table below:

Table No.2.6: Details of submission of closure proposals and grant receivable

Sl. No.	ESCOM	Date of completion of projects	Date of final submission of closure proposals to REC	Time taken for submission of closure proposals (months)	Final tranche received (₹ in crore)	Time taken for receipt of final tranche from date of completion (months)
RGGVY						
1	BESCOM	June 2017/ December 2017	March 2021	39	15.47 (May 2021)	41
2	HESCOM	November 2017	November 2020	36	3.24	**Not received** (February 2022)
DDUGJY						
3	BESCOM	March 2020	May 2021	14	14.59 (January 2022)	21
4	CESC	December 2020	April 2021	4	13.85 (January 2022)	22
5	GESCOM	December 2020	April 2021	4	27.18 (January 2022)	22

Sl. No.	ESCOM	Date of completion of projects	Date of final submission of closure proposals to REC	Time taken for submission of closure proposals (months)	Final tranche received (₹ in crore)	Time taken for receipt of final tranche from date of completion (months)
6	HESCOM	November 2020	June 2021	7	20.35 (February 2022)	15
DDG						
7	GESCOM	November 2016	November 2020	48	0.96	**Not received** (February 2022)
8	CESC	July 2021	October 2021	3	7.46	**Not received** (February 2022)
		Total			**103.10**	

(Source: Progress Reports, Project Closure Reports, release of grant by REC)

Audit observed that the ESCOMs took 3 to 48 months for submission of project closure proposals after completion of works, against one month prescribed under the scheme. Significant delays were noticed in respect of RGGVY XII Plan, wherein BESCOM and HESCOM took 39 months and 36 months respectively. Similarly, GESCOM took abnormal time of 48 months under DDG and 14 months by BESCOM under DDUGJY. While there were no specific reasons on record for such abnormal delay by GESCOM in case of DDG, the delay in case of RGGVY XII Plan were mainly on account of non-submission of closure proposals in the requisite formats and non-compliance to certain requirements by BESCOM and HESCOM as observed below:

- BESCOM submitted closure proposals to REC after lapse of one year of completion of works. Subsequent to submission of closure reports, REC raised (December 2018/August 2019) certain queries/clarifications which were complied and revised proposals were submitted in June 2019/November 2019. Further revisions in the closure proposals were made by BESCOM during March 2021 by reallocating certain expenditure in three districts (Ramnagar, Kolar and Davanagere). As a result, BESCOM received (May 2021) final tranche of ₹ 15.47 crore after 41 months from the date of completion of works (December 2017);

- In respect of the closure proposals submitted (November 2018) by HESCOM, REC raised (September 2019/May 2020) many non-compliances (Non-distinguishment of quantities executed through turnkey contract and departmental execution, non-submission of original contract award, village-wise list of BPL connections, Block Map, District Map, photographs of signboards, village-wise taking over and handing over reports and GP Certificate, *etc*). This reflect that HESCOM failed to ensure the basic requirements for submission of closure proposals, causing unwarranted delays in approvals and receipt of balance grant from REC. REC approved the revised closure proposals in March 2021. However, the amount (₹ 3.24 crore) was not received by HESCOM (February 2022).

As a result of delay by ESCOMs[15] in submission of closure proposals, final tranche of grant of ₹ 91.44 crore out of ₹ 103.10 crore was received with delay ranging from 15 months to 41 months, the remaining grant of ₹ 11.66 crore (***Table no. 2.6***) was pending approval from REC (February 2022). Consequently, ESCOMs had to incur additional interest burden of ₹ 10.93 crore[16], as the ESCOMs relied on borrowings for their working capital.

The Government in its reply confirmed (November 2021) the audit observation without stating specific reasons for delay in submission of closure proposals by ESCOMs.

Non-fulfilment of conditions for receipt of additional grant

2.10. As per fund disbursement guidelines issued under DDUGJY, ESCOMs were eligible for an additional grant of 15 *per cent* of the total sanctioned cost (₹ 262.12 crore[17]) subject to fulfilment of three conditions, *viz*.

i. Timely completion of the scheme as per laid down milestones;

ii. Reduction in Aggregate Technical and Commercial (AT&C) losses as per trajectory; and

iii. Upfront release of admissible revenue subsidy by State Government based on metered consumption.

Audit observed that the ESCOMs met the first condition by completing the scheme within the extended time schedule. The second condition was met by only two out of five ESCOMs (GESCOM and HESCOM) as the actual AT&C losses during 2016-17 to 2020-21 in three out of five ESCOMs (BESCOM, CESC and MESCOM) were beyond the trajectory levels fixed under the scheme, as given in table below:

Table No.2.7: AT&C losses as per trajectory and actual

ESCOM	Base year (2012-13)	2016-17		2017-18		2018-19		2019-20		2020-21	
		As per trajectory	Actuals	As per trajectory	Actuals	As per trajectory	Actuals	As per trajectory	Actuals	As per trajectory	Actuals
BESCOM	20.45	14.23	14.88	13.37	10.28	12.72	15.92	11.87	17.62	11.51	13.05
GESCOM	18.28	23.92	19.51	23.41	5.92	22.84	14.48	22.44	13.02	21.72	14.53
HESCOM	20.44	18.99	15.56	18.56	15.37	17.96	14.62	17.43	17.04	17.00	15.51
MESCOM	14.57	12.08	12.11	11.65	13.36	11.28	11.90	10.79	14.85	9.92	12.05
CESC	30.42	14.92	15.09	14.27	13.76	13.59	15.78	12.99	14.45	12.51	14.73

(Source: Scheme guidelines issued by REC, Annual Reports of ESCOMs)

Further, third condition was not met by any of the ESCOMs as the payment of revenue subsidy by the State Government was made based on estimation instead of metered consumption, as there were unmetered IP (Irrigation Pump set)

[15] In respect of MESCOM, final tranche of ₹ 26.02 crore has not been received pending completion of two projects under DDUGJY.
[16] Interest is calculated for the delayed period at 11 *per cent* per annum, rate at which ESCOMs borrowed funds for their working capital.
[17] 50 *per cent* of 30 *per cent* of total sanctioned cost (₹ 1,747.48 crore).

installations[18]. As on 31 March 2021, there were as many as 9.03 lakh numbers in BESCOM, 9.59 lakh numbers in HESCOM, 3.84 lakh numbers in CESC, 2.01 lakh numbers in GESCOM and 1.38 lakh numbers in MESCOM, unmetered IP installations.

Thus, ESCOMs would not be eligible for additional grant, as none of the five ESCOMs had met all the three conditions stipulated under the scheme, thereby the receipt of additional grant to the extent of ₹ 262.12 crore was doubtful. This would be an additional financial burden on the consumers, as such capital expenditure incurred by ESCOMs is factored into tariff and recovered from the consumers.

The Government stated (November 2021) that time extension for DDUGJY was granted upto December 2020 and the works were completed within the extended time. The AT&C losses in CESC were close to the trajectory, while it was achieved in GESCOM. It was also stated that SLSC had recommended for sanction of additional grant.

The fact remained that AT&C losses in three out of five ESCOMs were not reduced to the trajectory level and also upfront subsidy on IP sets was released based on the estimate/assessment basis to all ESCOMs, thereby the ESCOMs failed to comply with the conditions stipulated under the scheme for receipt of additional grant.

Deduction of taxes

2.11. BESCOM awarded (November 2014) the contracts for five projects[19] under RGGVY XII Plan to M/s. Sealwel Corporation Pvt Ltd, Hyderabad based on the tenders. The projects were completed in December 2017 and final closure of the projects was approved by REC in July 2020. The estimated cost of ₹ 51.29 crore put to tender for execution these works included service tax (12.36 *per cent*), contribution towards employees' provident fund (13.61 *per cent*) and ESI (4.75 *per cent*). As per the scheme guidelines, all state taxes were to be borne by the ESCOMs/State Government. Audit observed the following lapses in deduction of taxes as discussed below:

[18] During 2014-15 to 2019-20, unmetered sales ranged from 23.57 *per cent* to 27.77 *per cent* of the total sales in BESCOM, 41.57 *per cent* to 45.25 *per cent* in CESC, 51.45 *per cent* to 46.10 *per cent* in GESCOM, 57.34 *per cent* to 53.80 *per cent* in HESCOM, 16.10 *per cent* to 19.82 *per cent* in MESCOM.

[19] Bangalore rural, Chikkaballapura, Davanagere, Kolar and Ramnagar.

Table No. 2.8: Deficiencies in tax deduction by BESCOM

(₹ in lakh)

Sl. No.	Contractual provision	Audit remarks	Amount
1	*Clause* 10 of General Conditions of Contract requires that statutory payments against ED, CST, VAT, *etc* were to be released on documentary evidences and that the invoices raised by the contractor was to be accepted as documentary evidence.	VAT was admitted without bill[20], which was in violation of *Clause* 10 of General Conditions of Contract.	98.98
2	The Building and other Construction Workers Welfare Cess was to be deducted at the rate of one percent from the erection bills.	BESCOM deducted only ₹ 5.39 lakh from the contractors bills, against ₹ 10.75 lakh to be deducted from total erection cost (₹ 10.75 crore) towards building and other Construction Workers Welfare Cess.	5.36
3	As per *Clause 10.5* of General Conditions of Contract, BESCOM was responsible for deduction of service tax at source.	BESCOM deducted Works Contract Tax of ₹ 65.19 lakh at the rate of 5.5 *per cent* on erection charges, instead of service tax at 12.36 *per cent* as applicable. WCT being state tax was not reimbursable under the scheme.	65.19

(Source: Standard Bid Document, Detailed Work Awards, Project Closure Reports)

The Government in its reply stated (November 2021) that the verification of details at divisional offices of BESCOM was in progress and the necessary compliance would be submitted.

Conclusion

ESCOMs had incurred extra expenditure of ₹ 173.98 crore over and above the sanctioned cost. ESCOMs met this extra expenditure out of borrowings/own funds as no grant was eligible under the schemes on such extra expenditure. The possibility of receipt of additional grant of ₹ 262.12 crore (15 *per cent* of the sanctioned cost) eligible under DDUGJY was doubtful due to non-fulfilment of attached conditions by the ESCOMs. ESCOMs appointed Project Management Consultants at higher fee without inviting tenders, procured materials at higher rates, which resulted in additional expenditure of ₹ 66.09 crore.

Recommendation

- **The Government should ensure release of revenue subsidy to ESCOMs based on metered energy consumption to ensure fulfilment of conditions for receipt of additional grant under DDUGJY.**

[20] BESCOM depicted ₹ 98.98 lakh as 'VAT paid by agency not shown in bill' in the project closure report submitted to REC.