Executive Summary

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Ministry of Power, Government of India (GoI) launched (20 November 2015) Ujwal Discom Assurance Yojana (UDAY) scheme for financial and operational turnaround of the State owned Distribution Companies with support from their State Governments. The participating States were required to undertake various targeted activities for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so as to ensure achievement of the targeted benefits. Government of Punjab (GoP) in its Cabinet meeting held on 25 February 2016 approved the adoption of UDAY scheme. Accordingly, the Memorandum of Understanding (MoU) amongst Ministry of Power, GoI, GoP and Punjab State Power Corporation Limited (Company) was signed on 4 March 2016.

Against this background, Performance Audit of Pre and Post UDAY in Punjab State Power Corporation Limited was conducted during August 2020 to January 2021 with a view to ascertaining the implementation effectiveness of the Scheme. The Performance Audit covered the performance of the PSPCL pre and post implementation of UDAY scheme during the period from 2015-16 to 2019-20.

The major findings of Performance Audit are briefed as below:

- As per the Scheme and MoU, the State Government was required to take over 75 *per cent* of PSPCL's debt amounting to ₹ 15,628.26 crore and to be transferred back to the PSPCL as a mix of grant of ₹ 11,728.26 crore and equity of ₹ 3,900 crore by 2019-20. However, the State Government, in violation to the provision of the Scheme and MoU, converted the entire loan of ₹ 15,628.26 crore into equity.

(Paragraph 2.2.1)

- Remaining 25 *per cent* debt of ₹ 5,209.42 crore was required to be got converted through the banks/FIs into loan or State Government bonds with the interest rate not more than the banks base rate *plus* 0.10 *per cent*. Neither the bonds have been issued nor the debt got converted into loans at the rates prescribed in the Scheme. Resultantly, the PSPCL had to pay higher interest of ₹ 261.09 crore for the period 2016-17 to 2019-20.

(Paragraph 2.2.2)

- Despite conversion of loans amounting ₹ 15,628.26 crore into equity, loans of ₹ 15,208.56 crore still remained outstanding as on 31 March 2020. The growth in loans could not be arrested post UDAY also. There was a net increase of ₹ 9,010.29 crore in outstanding loans from September 2015 to March 2020. The debt burden had increased by ₹ 7,181.41 crore primarily due to non-payment of dues on time by Government of Punjab on account of tariff compensation and defaulting dues of Government Departments.

(Paragraph 2.2.3)

- As per MoU, all outstanding dues from the State Government departments to the Company for supply of electricity were required to be paid by March 2016. Against this, the dues in respect of Government Departments actually increased from ₹ 524.78 crore in March 2016 to ₹ 2,183.49 crore in 2019-20.

  (Paragraph 2.4.2(c))

- The GoP failed to pay the subsidy dues determined by the PSERC and the balance subsidy payable by GoP to the Company increased from ₹ 1,603.17 crore at the end of 2015-16 to ₹ 5,598.60 crore at the end of 2019-20.

  (Paragraph 2.4.5)

- PSERC (Conduct of Business) Regulations, 2005 provides for Fuel Cost Adjustment (FCA) formula to allow recovery of increased fuel costs. Recovery of FCA is approved by PSERC based on the quarterly petition filed by the Company. However, the amount billed was much lesser than the amount due for recovery as per quarterly revision allowed by the PSERC for the years 2015-16 to 2019-20. Resultantly, the PSPCL suffered an irrecoverable loss of interest of ₹ 85.08 crore.

  (Paragraph 2.4.3)

- The Scheme and MoU provides for quarterly tariff revision to offset the increase in price of fuel consumed for generation of power. However, GoP in contravention to the provision of the Scheme and MoU, decided that with effect from 2nd quarter of 2019-20, the FCA surcharge shall be levied on annual basis along with carrying cost. Consequently, PSPCL had to suffer loss of interest amounting to ₹ 4.04 crore.

  (Paragraph 2.3.1)

- The MoU for UDAY scheme required PSPCL to timely file the tariff petition with the PSERC so that Tariff order may be issued for the year as early as possible. However, the tariff orders for the years 2015-16 to 2020-21 were issued with delays ranging between 18 to 205 days. The delay in issue of tariff orders resulted in delayed recovery of increased tariff from the consumers and consequential loss of interest of ₹ 45.44 crore during 2017-18 to 2020-21.

  (Paragraph 2.3.2)

- The MoU prescribed that the PSPCL shall reduce AT&C losses to 14 *per cent* by 2018-19 and provided year-wise loss reduction targets for 98 distribution divisions and the PSPCL as a whole for the years 2014-15 to 2018-19. The number of divisions which did not achieve the targeted reduction in AT&C losses ranged from 52 to 62 during 2015-20 and the maximum AT&C losses ranged between 42.84 *per cent* and 57.65 *per cent.*

  (Paragraph 2.4.1)

- The improvement in the overall billing efficiency was targeted at 86 *per cent* in 2018-19 from 84.68 *per cent* in 2015-16. During 2015-20, 35 to 39 divisions performed below the targets and the lowest annual billing efficiency in the divisions decreased from 61.73 *per cent* in 2015-16 to 51.25 *per cent* in 2019-20.

  (Paragraph 2.4.2(a))

- MoU envisaged improvement in collection efficiency (CE) from 99 *per cent* in 2015-16 to 100 *per cent* in 2016-17 to 2018-19. PSPCL could not achieve the envisaged collection efficiency in even a single year during the period 2015-16 to 2018-19. The lowest annual CE in the divisions decreased from 84.24 *per cent* in 2015-16 to 76.06 *per cent* during 2019-20.

  (Paragraph 2.4.2(b))

- As per MoU, the gap between Average Cost of Supply (ACS) and Average Revenue Realised (ARR) had to be eliminated by 2018-19. The Company failed to eliminate this gap and the target could not be achieved even by 2019-20. Further, the tariff hikes envisaged in the MoU were also not achieved.

  (Paragraph 2.3.3)

- Under-achievement of targeted reduction in T&D losses resulted in the loss of ₹ 1,810.30 crore to Company as the amount could not be passed on to the consumers through tariff.

  (Paragraph 2.3.3.1 (ii))

- The Company surrendered the surplus power of 53,541.65 MUs against which it paid fixed capacity charges of ₹ 6,210.63 crore to the power producers for capacities contracted.

  (Paragraph 2.5.1)

- The Company deviated from power drawal schedules against which it paid deviation charges of ₹ 146.65 crore during 2015-20. PSERC further disallowed the deviation charges of ₹ 146.65 crore paid by the Company on the ground that additional expenses incurred by PSPCL for its non-performance cannot be passed on to the consumers.

  (Paragraph 2.3.3.2)

- As per MoU, Smart Meters for 100 *per cent* consumers (other than Agriculture Pumpset consumers) consuming more than 500 units per month were to be completed by 31 December 2017 and consumers consuming above 200 units per month by 31 December 2019 based on cost benefit analysis. The Company could not ensure execution of the project and only 335 smart meters were installed till April 2021.

  (Paragraph 3.2.1)

- UDAY scheme provided for 100 *per cent* physical segregation of the mixed feeders by March 2017. As on December 2016, there were 285 mixed rural area feeders in the *Kandi* area. As on March 2021, only 37 feeders were segregated. The failure to complete mixed feeder segregation project resulted in loss of ₹ 1,222.13 crore in the form of disallowance of subsidy against AP consumption claimed by the Company in the *Kandi* area for the years 2015-16 to 2019-20.

(Paragraph 3.3.1)

- The monitoring mechanism was found deficient as no terms of reference of State Level Monitoring Committee and Company Level Monitoring Committee were framed in regard to periodicity of meetings and mechanism of monitoring the performance of the Company under UDAY Scheme. The minutes of meetings did not include the review of entire activities/targets envisaged under UDAY scheme and remedial measures to the shortcomings discussed. Audit further observed that no Action Taken Notes on the agenda of previous meetings of SLMC were prepared and submitted by the Company.

(Paragraph 3.4.1)