



CHAPTER IV

CONCLUSION AND RECOMMENDATIONS

CHAPTER IV

CONCLUSION AND RECOMMENDATIONS

Conclusion

GoI launched UDAY for ensuring a sustainable solution to the problem of legacy debts and address potential future losses of DISCOMs through reforms in sectors of generation, transmission, distribution, and energy efficiency. The primary objective of UDAY was to enable financial turnaround of DISCOMs through takeover of their debt by State Governments.

However, GoK/ KSEBL executed MoU for UDAY for improving operational efficiency only and not for achieving financial turnaround. The long-term debt of KSEBL increased substantially by 318.72 *per cent* from ₹3,753.51 crore in 2015-16 to ₹15,716.79 crore in 2020-21, mainly on account of employees' pension liability. As the MoU did not provide for financial turnaround part, there was no takeover of debt of KSEBL by GoK under the Scheme.

The expenditure incurred by KSEBL on employee benefits and power purchase increased considerably during 2015-21, which could not be fully recovered through tariff as KSERC deducted the claim of KSEBL towards pay and allowances of 6,367 employees while issuing orders on truing up of accounts for 2017-18. The execution of MoU under UDAY for improving operational efficiency alone did not bring about the intended benefit of the Scheme to KSEBL as takeover of DISCOM debt was not envisaged in the MoU.

KSEBL achieved the key operational parameters in respect of AT&C losses it had committed itself to under UDAY. However, the achievement of reduction in AT&C loss was not sustained in post UDAY period. The performance on reduction in AT & C loss was not noticeable at select R-APDRP towns while there was no mechanism to measure and report AT & C loss at Electrical Divisions. Distribution network strengthening and DT metering works progressed well during post-UDAY period, and total electrification of households and supply of LED bulbs to consumers were significant strides.

The ACS-ARR gap continued to increase in the post UDAY period mainly on account of increase in employee expenses, power purchase cost and O &M costs, which offset the advantages of total consumer metering and adequate power supply. KSEBL also could not eliminate the gap between cost of power supply and revenue earned, which impacted its financial performance. Non-availability

of funds limited the implementation of projects such as smart metering and ring-fencing of Electrical Divisions, depriving KSEBL of the benefits of automation and technology-driven process. All major projects/activities for improving operational efficiency were carried out/continued under other schemes such as R-APDRP, IPDS, DDUGJY etc. which helped KSEBL to achieve most of the performance indicators under UDAY.

Thus, while KSEBL achieved some of the operational parameters envisaged in UDAY MoU, implementation of UDAY *per se* did not have a profound impact on improving the financial and operational performance of KSEBL. By not opting for the financial turnaround, the KSEBL lost an opportunity to improve its finances.

Recommendations

To ensure that intended benefit of GoI schemes accrue in full to State Government undertakings/companies, GoK may

- in future, ensure that it fully analyses and takes advantages in all respects of schemes having financial and operational/other implications for State Government undertakings/companies; and
- periodically monitor the progress of major projects/works undertaken under various schemes/programmes.

To improve operational efficiency and financial performance, KSEBL may

- take suitable steps to prune administrative and power procurement expenses and ensure recovery of costs through efficient management of resources and further reducing AT & C losses.
- expedite works of ring fencing and development of IT modules for data acquisition and energy auditing for enabling measurement of AT & C loss at Electrical Divisions.
- take steps to improve HT:LT ratio, implement HVDS in more places, ensure GIS mapping and indexing of all consumers, and devise KPIs with benchmarks.
- consider implementation of smart metering solutions for improving efficiency of electricity distribution operations and increasing revenue.
- collaborate with BEE and EESL for implementing DSM/Ag-DSM scheme and other energy efficiency programmes for deriving the best results in energy conservation.

- analyse the reasons for increasing losses and plug them before they go awry.
- also rationalise the manpower and bring down the employee costs to an efficient and sustainable level.

Thiruvananthapuram,
The 29 July 2022



(Dr. BIJU JACOB)
Principal Accountant General
(Audit II), Kerala

Countersigned



New Delhi,
The 17 August 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India