

# **Chapter-IV**

## **Conclusion and Recommendations**



## Chapter-IV: Conclusion and Recommendations

### 4.1 Conclusion

The Performance Audit covered the implementation of the Scheme in order to examine whether the directives pertaining to financial and operational parameters envisaged in the UDAY scheme and MoU were adhered to and overall objective of financial turnaround of the Company was achieved.

Audit noticed that performance of the Company in implementation of the Scheme was dismal as the Company failed to achieve most of the financial and operational parameters envisaged in the UDAY scheme and MoU. During Performance Audit, it was noticed that:

As per the Scheme and MoU, the State Government was required to take over 75 per cent of Company's debt to be transferred back to the Company as a mix of grant and equity. However, the State Government, in violation to the provision of the Scheme and MoU, converted the entire loan into equity. Remaining 25 per cent debt was required to be got converted through the banks/FIs into concessional loan or State Government bonds. The Company could neither issue the bonds nor got the debt converted into loans at the rates prescribed in the Scheme.

Despite conversion of loans to equity, the Company failed to arrest the trend of increase in outstanding loans post UDAY and there was huge increase in outstanding loans from September 2015 to March 2020.

The decision of GoP to levy the FCA surcharge on annual basis instead of quarterly basis, as mandated by the Scheme and MoU, led to its delayed recovery and consequent loss of interest thereon.

Inordinate delay in issue of the tariff orders for the years 2015-16 to 2020-21 resulted in delayed recovery of increased tariff from the consumers.

The Company failed to eliminate gap between Average Cost of Supply and Average Revenue Realised due to huge disallowance of projected revenue requirement by PSERC.

The Company failed to pay the power purchase bills by due dates and consequently paid late payment surcharge. Further, the Company also deviated from power drawal schedules against which it paid deviation charges and PSERC disallowed these charges on the ground that additional expenses incurred by Company for its non-performance cannot be passed on to the consumers.

Targets for reduction in AT&C losses, improvement in overall billing and collection efficiency were not achieved by majority of the DS Division offices.

The Company billed as Fuel Cost Adjustment (FCA) surcharge an amount which was much lower than the amount due for recovery as per quarterly revision allowed by the PSERC for the years 2015-16 to 2019-20.

There was substantial increase in the default of electricity dues by the Consumers including Government departments. 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. However, the dues in respect of Government Departments increased. The Company failed to take action as per the provisions of ESIM.

The Government of Punjab (GoP) failed to pay the subsidy dues determined by the PSERC and the balance subsidy payable by GoP kept on increasing year after year. Despite the continuous shortfalls in receipt of subsidy, the Company in violation to the Electricity Act not only continued the implementation of State Government subsidy schemes but also implemented additional subsidy schemes of the State Government.

The Company surrendered the surplus power against which it paid fixed capacity charges to the power producers for capacities contracted.

The Company failed to complete various operational activities committed in MoU like smart metering, DT metering, feeder segregation, etc.

The monitoring mechanism was deficient and thereby execution of Scheme activities and uploading of correct data on the portal was not ensured.

#### **4.2 Recommendations**

Following recommendations are proposed to address the issues raised in this Performance Audit:

The Company should explore the possibilities for conversion of remaining 25 *per cent* debts into loans at the rates prescribed in the Scheme.

The Company should analyse increasing trend in outstanding loans post UDAY and make detailed action plan to come out of debt trap.

Timely and accurate billing of Fuel Cost Adjustment (FCA) as per quarterly revision allowed by the PSERC may be ensured. The matter regarding loss of interest due to delay in levy of FCA as per GoP orders may be taken up with the State Government.

Delays in issue of the tariff orders need to be avoided by ensuring proper and timely response to clarifications/information sought by the PSERC.

The Company should evolve time bound framework to eliminate the gap between Average Cost of Supply and Average Revenue Realised and ensure timely payment for the power purchase bills by due dates.

The Company should assess its power drawal requirements in such way that deviation is minimised so that payment of deviation charges is avoided.

Achievement of the targeted reduction in AT&C losses, improvement in billing and collection efficiency in all the division offices may be ensured by close monitoring.

The Company should make efforts to recover electricity dues from the Consumers including State Government departments.

The Company should ensure recovery of the subsidy dues determined by the PSERC from State Government before implementation of subsidised tariff.

The Company should explore the avenues to utilise surplus power in more remunerative way to avoid payment of fixed capacity charges to the power producers for capacities contracted.

The Company should plan to complete various operational activities committed in MoU like smart metering, feeder segregation, DT metering etc. in a time bound manner.

Monitoring mechanism needs to be strengthened to ensure timely execution of Scheme activities and uploading of correct data on the portal.

**Chandigarh**

**Dated: 22 February 2022**



**(PUNAM PANDEY)**

**Principal Accountant General (Audit)  
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**Countersigned**



**New Delhi**

**Dated: 25 February 2022**

**(GIRISH CHANDRA MURMU)**

**Comptroller and Auditor General of India**

