# Report of the
# Comptroller and Auditor General of India

# Performance Audit
# on
# Implementation of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)/ Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

**Government of Karnataka**

**Report No. 5 of the year 2022**

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# Preface

1. This Report of the Comptroller and Auditor General of India has been prepared for submission to the Government for laying before the State Legislature of Karnataka under the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

2. The Report contains the results of Implementation of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)/Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) covering the period 2014-15 to 2020-21.

3. The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

# Executive Summary

# 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.**

# CHAPTER – I
# Introduction

# Chapter I

# Introduction

### *Deendayal Upadhyaya Gram Jyoti Yojana*

**1.1.** 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. A provision was also made for Decentralized Distributed Generation (DDG) as part of RGGVY XII Plan for electrification of all un-electrified revenue villages and hamlets (above 100 population) through conventional or renewable sources (solar, hydro, *etc*) where grid connectivity was either not feasible or not cost effective.

In Karnataka, there were five Electricity Supply Companies[1] (ESCOMs) which implemented the scheme. A tripartite agreement was entered into (November 2015/December 2015) between the REC, GoK and the ESCOMs for implementation of DDUGJY. As per the scheme guidelines, projects were to be implemented on turnkey basis, with an option to execute the projects departmentally in exceptional cases with the approval of the Monitoring Committee. The ESCOMs had implemented the projects under DDUGJY on turnkey basis.

### *Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)*

**1.2.** The main focus of rural electrification upto 2017 was electrification of villages. However, village electrification did not result in electrification of all the households as the village was considered electrified even on the electrification of 10 *per cent* of households as per the definition. Keeping in view the role of electricity in the human and socio-economic development, the MoP launched (September 2017) Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) to achieve universal household electrification in the country. The scope of the scheme was to provide (i) last mile connectivity and electricity connections to all un-electrified households in rural areas; (ii) Solar Photovoltaic (SPV) based standalone system for un-electrified households located in remote and inaccessible villages/habitations, where grid extension is not feasible or cost effective; and (iii) last mile connectivity and electricity connections to all remaining economically poor un-electrified households in urban areas. Non-poor urban households were excluded from this scheme.

[1] Bangalore Electricity Supply Company Limited (BESCOM), Chamundeshwari Electricity Supply Corporation Limited (CESC), Gulbarga Electricity Supply Company Limited (GESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Mangalore Electricity Supply Company Limited (MESCOM).

Funding pattern is similar to that under DDUGJY. Four out of five ESCOMs[2] had implemented the scheme in the state.

### *Cost sharing pattern*

**1.3.** For the projects under DDUGJY/SAUBHAGYA, 60 *per cent* of the sanctioned cost was provided by GoI in the form of capital subsidy/grant, and the remaining cost was met by ESCOMs through loan/own contribution. In case of projects under RGGVY/DDG, GoI provided 90 *per cent* of the sanctioned cost as grant and ESCOMs bore the remaining 10 *per cent* out of their own funds. The MoP sanctioned the total cost of ₹ 2,074.26 crore[3] for the projects proposed for implementation under DDUGJY/SAUBHAGYA, RGGVY and DDG.

### *Organisation setup*

**1.4.** The organisation setup for implementation and operationalization of the schemes is depicted in the chart below:

**Chart No.1.1: *Organisation setup***

**Ministry of Power (MoP), GoI**
- Nodal Ministry
- Responsible for implementation;
- Constitutes Monitoring Committee headed by Secreatry, MoP for issuing operational guidelines, approving DPRs, Monitoring, *etc*.

**Rural Electrification Corporation Limited (REC)**
- Nodal agency headed by Chairman and Managing Director;
- Responsible for operationalisation and implementation;
- Administers grant component, Apprises DPRs;
- Maintains MIS and monitors physical and financial progress.

**Energy Department, GoK**
- Constitutes State Level Standing Committee headed by Chief Secretary recommends projects;
- Facilitates statutory clearances, arranges for land and provides guarantee for the loan component, *etc*.

**Electricity Supply Companies (ESCOMs)**
- Project implementing agencies headed by Managing Directors;
- Prepare NAD/DPRs;
- Appoint Project Management Agency, Project Implementation Cell, *etc*.

[2] CESC, GESCOM, HESCOM and MESCOM.
[3] DDUGJY: ₹ 1,747.49 crore; SAUBHAGYA: ₹ 197.84 crore; RGGVY: ₹ 104.02 crore; DDG: ₹ 24.91 crore.

## Audit objectives

**1.5.** 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 criteria

**1.6.** The main sources of audit criteria for the performance audit were:

- Scheme guidelines issued by the Ministry of Power, GoI and REC;
- Approved Need Assessment Document and Detailed Project Reports (DPRs);
- Bipartite/Tripartite agreement among REC, State Government and ESCOMs**;**
- Instructions/circulars/orders/manuals/guidelines issued by MoP, REC, GoK and ESCOMs regarding the scheme, Decisions of Technical Committee and Board/Sub-Committee Meetings of ESCOMs;
- General Financial Rules, Contract Agreements, Standard Bid Documents, and Sanction orders; and
- Karnataka Transparency in Public Procurement (KTPP) Act, 1999 and KTPP Rules, 2000.

## Audit scope and methodology

**1.7.** The Performance Audit was conducted in all the five ESCOMs covering the transactions during 2014-15 to 2020-21 for the schemes of DDUGJY/SAUBHAGYA including RGGVY XII Plan and DDG. Audit sample was drawn using simple random sampling method through IDEA software. The details of selected sample are given in ***Appendix-1*****.** Following table depicts the sampling methodology:

**Table No. 1.1: Details of sample selected**

| Sl. No. | Category | Sample size |
|---|---|---|
| 1 | Districts | 10 out of 30 districts[4] (8 under DDUGJY and 2 under RGGVY). |
| 2 | Blocks | 21 blocks (taluks) under selected 10 districts ensuring a minimum of two blocks in each district. |
| 3 | Villages | 190 villages in 21 blocks representing 30 *per cent* of the total villages, restricting to maximum of 10 villages. Besides, five villages in three districts[5] under DDG were selected. |
| 4 | Beneficiary survey | 105 villages in 21 selected blocks restricting to five villages in each block. |

Audit scrutinized records maintained at Energy Department, Corporate offices and at selected divisional/sub-divisional offices of ESCOMs and Corporate office of Karnataka Power Transmission Corporation Limited. The methodology also involved interaction with the personnel of auditees and Energy Department, collection of information through audit requisitions and issue of audit queries.

Besides, a survey of selected beneficiaries and villages was conducted with the help of a structured questionnaire designed to capture the experience and perception of the beneficiaries regarding the scheme.

Entry Conference was held on 18 September 2020. The Draft Performance Audit Report was issued to the Government/ ESCOMs in September 2021 and the Report was discussed in the Exit Conference held on 11 October 2021. The views furnished (November 2021/February 2022) by the ESCOMs/Government have been suitably incorporated in the Report.

## Audit findings

**1.8.** Audit findings are organised in the following chapters, *viz*.

- **Chapter-II:** Planning and Financial Management.
- **Chapter-III:** Implementation of projects under the schemes.
- **Chapter-IV:** Survey findings and Monitoring issues.

## Acknowledgement

**1.9.** Audit acknowledges the cooperation and assistance extended by the Energy Department of GoK, Management of ESCOMs and Karnataka Power Transmission Corporation Limited in facilitating the conduct of Performance Audit.

[4] **DDUGJY:** 1. Bidar, 2. Chikmagalur, 3. Haveri, 4. Mandya, 5. Raichur, 6. Shimoga, 7. Tumkur and 8. Udupi. **RGGVY XII$^{th}$ Plan:** 1. Mysore and 2. Bangalore Rural.

[5] **DDG:** 1. Chamarajanagar (Arbigere -Keredibba); 2. Madikeri Nalkeri Forest (Begurhadi & Gonigadde) and 3. Shimoga (Urulugallu & Chitra Shettihalli).

# Chapter – II
# Planning and Financial Management

# 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*.

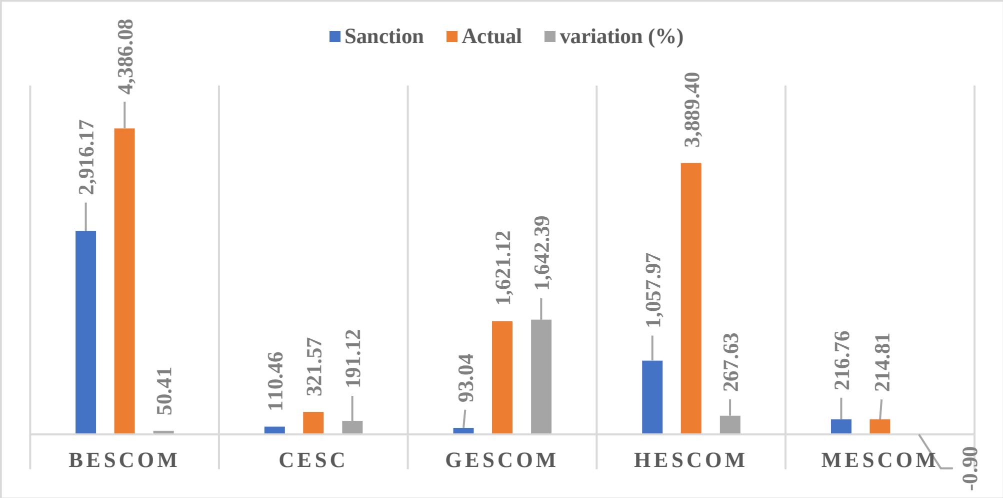
Audit observed that the ESCOMs had executed 16,711.39 circuit kilometres (CKMs) of 11kV/ LT lines and 12,301 Nos of DTCs under DDUGJY. In the test checked eight projects[8] under DDUGJY, no evidence was kept on record in support of fact that ESCOMs, while proposing these infrastructure, had considered 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.

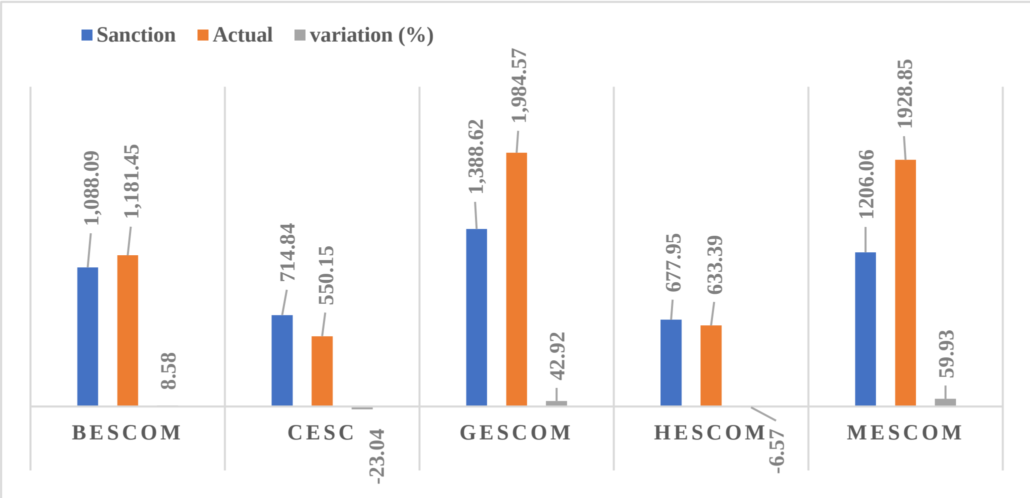
[8] Observations on remaining two test checked districts under RGGVY are dealt in ***Paragraph 2.3***.

**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 cent* 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.

# Chapter – III
# Implementation of projects under the schemes

## Chapter-III

## Implementation of projects under the schemes

### *Status update*

**3.1.** The extent of achievements in terms of quantities against their sanction under the schemes (DDUGJY/SAUBHAGYA, RGGVY and DDG) is indicated in the table below.

**Table No. 3.1: Status-update under the schemes as of February 2022**

| Sl. No. | Components | Sanctioned | Executed | Excess/ shortfall (-) | Achievement (*per cent*) |
|---|---|---|---|---|---|
| **DDUGJY** | | | | | |
| 1 | Separation of feeders (Agriculture and Non-agriculture) (CKMs) | 12,501.64 | 11,724.76 | (-) 772.38 | 93.79 |
| 2 | Strengthening and augmentation of Sub-transmission and Distribution infrastructure | | | | |
| i | Consumer metering (Nos) | 1,750,404 | 1,466,594 | (-) 2,83,810 | 83.79 |
| ii | DTC metering (Nos) | 24,400 | 23,790 | (-) 610 | 97.50 |
| iii | 11kV feeders metering (Nos) | 5,582 | 0.00 | (-) 5,582 | 0.00 |
| iv | Distribution Transformers (Nos) | 12,360 | 12,301 | (-) 59 | 99.52 |
| v | 11 KV line (CKMs) | 4,394.40 | 10,432.98 | 6,039.00 | 237.42 |
| vi | LT Line (CKMs) | 5,075.56 | 6,278.41 | 1,203.00 | 123.70 |
| vii | Intensive Electrification of villages (Nos) | 21,172 | 13,949 | (-) 7,223 | 65.88 |
| 3 | Electrification of unelectrified villages | 39 | 39 | 0.00 | 100.00 |
| 4 | Connection to BPL households (Nos) | | | | |
| i | DDUGJY | 2,97,788 | 2,68,340 | (-) 29,448 | 90.11 |
| ii | SAUBHAGYA | 1,78,669 | 1,71,884 | (-) 6,785 | 96.20 |
| iii | RGGVY XII Plan (including DDG) | 1,33,576 | 1,30,698 | (-) 2,878 | 97.85 |

***(Source: Progress report of February 2022 of GoK submitted to REC and project closure reports)***

Though there were commendable achievement in 11kV lines (237.42 *per cent*), LT lines (123.70 *per cent*), connection to BPL households (90.11 *per cent* to 97.85 *per cent*), separation of feeders (93.79 *per cent*), and DTC metering (97.50 *per cent*), shortfalls were observed in 11kV feeder metering (nil progress), intensive electrification of villages (34.12 *per cent*), and consumer metering (16.21 *per cent*). ESCOMs certified in their project closure proposals submitted to REC that electrification was carried out as per the actuals at the time of execution. Excess achievement was due to execution of additional quantities which were not part of approved DPRs (instances commented in ***Paragraph 2.1***).

Further, though overall achievement in respect of connections to BPL households ranged between 90.11 *per cent* and 97.85 *per cent*, Audit observed significant shortfalls under DDUGJY and RGGVY XII Plan in case of CESC (22.72 *per cent* and 55.12 *per cent*) and GESCOM (23.07 *per cent* and 94.92 *per cent*) (***Appendix-3***). The reason for zero progress in 11kV feeder metering was due to ESCOMs opting out of the scheme as there were delays in tendering process (***Paragraph 3.6.1***).

Audit observations on execution of schemes are discussed in the subsequent paragraphs.

## Execution of projects under DDUGJY

### *Award of contracts in deviation from KTPP Act*

**3.2.** KTPP Act, 1999 stipulated (Circular dated 3 December 2002) that negotiations solely for the purpose of obtaining lower prices would be appropriate only in exceptional circumstances, such as lack of competition (less than three), single bid, suspected collusion, or where the lowest evaluated responsive bid is substantially above the estimated cost (10 *per cent* above the updated estimate). In such cases also, the first choice is for rejection of all tenders and re-inviting fresh tenders.

Audit observed that the ESCOMs awarded the contracts under DDUGJY/RGGVY in 10 audit sampled districts at substantially high rates above the estimates put to tender ranging from 12.57 *per cent* to 30.68 *per cent.* Further, contract for Mandya district was awarded to single bid (M/s. Skill Tech Engineers & Contractors ). In respect of projects executed under DDG, awarded rates were significantly higher, ranging from 70.57 *per cent* to 160.58 *per cent* above the amount put to tender. ***Appendix-4*** gives the details of premium at which contracts were awarded in the test checked 10 districts.

The Government stated (November 2021) that all the contracts under DDUGJY/RGGVY were awarded to technically qualified agencies as per the recommendations of the Board of Directors. With regard to award of contract to single bid in Mandya, it was stated that contract was awarded in view of completing the scheme within the time.

The fact, however, remained that the contracts were awarded at substantially higher premium, which was not in line with the provisions of KTPP Act. The reply is silent in respect of works under DDG.

### Award and completion of projects

**3.3.** DDUGJY guidelines (Para 9 chapter II) stipulated that the projects were to be completed within a period of 24 months from the date of issue of letter of award (LoA) by the utilities, in case of turnkey implementation. The overall status of audit sampled districts under the jurisdiction of five ESCOMs is detailed in the table below:

**Table No.3.2: Details of award and completion of projects**

| Sl. No. | Scheme | Award of contracts | Target date of completion | Actual date of completion | Delay in completion (in months upto) |
|---|---|---|---|---|---|
| 1 | DDUGJY | January 2017 to February 2019 | January 2018 to September 2019 | December 2018 to December 2020 | 37 |
| 2 | SAUBHAGYA | November 2018 to January 2019 | February/ March 2019 | March 2019 to March 2020 | 12 |
| 3 | RGGVY | November 2014/ January 2015 | November/ December 2016 | Short closed/ December 2017 | 12 |
| 4 | DDG | August 2015/ September 2016 | May/ October 2016 | July 2016/ March 2017 | 13 |

***(Source: Letters of Intent, Detailed Work Awards and Project closure reports)***

Audit observed delays in completion of works ranging from 12 to 37 months beyond stipulated dates were mainly attributable to various lapses in field survey and resultant increase/decrease in actual quantities during execution (***Paragraph 2.1***), delays by ESCOMs in issue of work orders and non-adherence to timelines as per pert chart (***Paragraphs 3.4***), lack of prior clearances from respective statutory authorities (***Paragraphs 3.5, 3.7.1***) and lack of action on defaulting contractors (***Paragraph 3.8***), *etc*.

### *Works execution*

**3.4.** Letter of Intent for execution of works in Tumkur District under DDUGJY was issued (January 2017) to M/s Transglobal Power Ltd for a total contract price of ₹ 84.17 crore with a stipulation to complete by January 2019. As per the terms of contract, for the delay beyond stipulated period, contractor was liable to pay a sum equivalent to half percent of the contract price of incomplete portion of works subject to five percent of the total contract price.

Audit observed that the works were completed in December 2019 with delay of 11 months. The reasons for the delay were:

- Non-identification of BPL households at the time of preparation of DPR (list was received by the contractor only in July/August 2017);
- Delay in procurement of materials by the contractor (materials such as, meter box, insulator, conductor, were procured in August 2018 to March 2019 as against stipulated date of July 2018 as per PERT chart); and
- Delay in issue of work orders by the divisions concerned (6 to 27 *per cent* of work orders were issued after scheduled date of completion) as detailed in the table:

**Table No.3.3: Delay in issue of work orders and delay in completion of works**

| Sl. No. | Block | Total No. of Work Orders | | Work orders issued after scheduled date of completion | | | Work orders completed after scheduled date | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number | Value | Number | Value | *Percent* | Number | Value | *Percent* |
| 1 | Tumkur | 411 | 23.65 | 111 | 8.04 | 27 | 250 | 15.54 | 61 |
| 2 | Koratagere | 98 | 3.43 | 6 | 0.24 | 6 | 41 | 1.87 | 42 |
| 3 | Sira | 58 | 4.66 | 8 | 0.65 | 14 | 48 | 3.96 | 83 |

***(Source: Work Orders and information from Divisions)***

It could be observed that 42 *per cent* to 83 *per cent* of the work orders were completed after scheduled date of completion. These delays which were avoidable, caused unnecessary delays in completion of works. Though notices were served (between August 2017 and September 2019) on the contractor for delays, liquidated damages as per the contract were not levied.

The Government stated (November 2021) that in view of the extension of time by REC upto December 2020, instructions were given accordingly to the turnkey agencies and the works were completed before March 2020.

The reply is silent on specific reasons for delay on the part of the contractor and BESCOM and action taken on the contractor for default. Extension of timelines by REC had no bearing on the time stipulated for completion of works as per the terms of contract.

***Feeder segregation works***

**3.5.** Feeder segregation refers to supply of electricity to agricultural consumers and to non-agricultural consumers (domestic and non-domestic) separately through dedicated feeders[21]. The core objective of segregation was to provide regulated supply to agricultural consumers and continuous power supply to non-agricultural consumers in rural areas.

MESCOM issued (March 2017) Letter of Intent (LoI) to M/s. Bajaj Electricals Limited, Mumbai and M/s. Asian Fab Tech Ltd., Bangalore for execution of feeder separation in Shimoga (68 feeders covering 624 villages) and Chikmagalur (56 feeders covering 674 villages) on total turnkey basis at a total contract price of ₹ 181.29 crore and ₹ 144.34 crore respectively. The contract period was 15 months from the date of award, *i.e.* works were stipulated to be completed by July 2018.

Audit observed that the works were not completed within the scheduled date due to non-obtaining timely clearances from railway authorities for carrying out feeder segregation works. Though the DPR mentioned the fact of existence of railway crossings in the line corridor, MESCOM submitted request for clearance from railways only in February 2018, after lapse of ten months of LoI (March 2017) and the required way leave charges were paid only in February 2019. As a result, 9 out of 68 feeders in Shimoga and 7 out of 56 feeders in Chikmagalur were completed only in March 2022 against scheduled date of July 2018. These feeders cater power supply to 204 villages[22] in both the districts. The delay in completion of feeder segregation works deprived 204 villages of *24x7* power supply to non-agricultural consumers for more than three years.

The Government stated (November 2021) that the approximate railway crossings that were required for work were proposed in the DPR. The works were delayed due to delay in getting approvals from the railway authorities.

[21] Feeders are power lines through which electricity is transmitted in power systems.
[22] 9 feeders covering 111 villages in Shimoga and 7 feeders in 93 villages in Chikmagalur.

The Government should have ensured timely submission of application prior to award of works and obtained necessary clearances, given the fact that it involved procedures.

### *Metering*

**3.6.** In order to facilitate sustainable commercial operations of electricity distribution, metering at consumer end for all categories of consumers is essential. Metering arrangement at distribution transformers and feeders facilitate building up a mechanism for proper energy accounting and help in identifying high loss pockets and initiating remedial measures towards reduction of losses.

ESCOMs had taken up metering under DDUGJY at Feeder and Distribution Transformer Centre (DTC) level and Consumer end. The total sanctioned cost under DDUGJY included ₹ 444.96 crore towards consumer, feeder (5,582 feeders[23]) and DTC metering across all five ESCOMs. Audit findings are discussed in ***Paragraphs 3.6.1 to 3.6.2.***

### *Non-completion of feeder metering led to opting out of the scheme*

**3.6.1.** As per direction (May 2016) of the Energy Department of GoK, Karnataka Power Transmission Corporation Limited (KPTCL) executed the feeder metering works on behalf of ESCOMs. The contract was awarded for metering 15,000 feeders (including 5,582 feeders sanctioned under DDUGJY) for a contract price of ₹ 38.92 crore with a stipulation to complete within 18 months (*i.e.* by September 2020). ESCOMs had deposited (between November 2019 and January 2021) an amount of ₹ 30.79 crore with KPTCL for the purpose. In this regard, audit made the following observations:

- First two tenders were invited (first tender: November 2016; second tender: April 2017) without crystalizing the prequalification requirements of the bidders (experience of the bidders in manufacture of meters, previous supply quantity, *etc*) and technical specifications of meters (test certificates, tamper and fraud protection, performance certificates, *etc*). These conditions were modified thrice during December 2016, July 2017 and in December 2017;

- First and second tenders were cancelled due to non-responsive bids. KPTCL took six months (July 2017 to January 2018) to cancel the second bid after it was found to be non-responsive in the techno commercial bid opened during July 2017. Thereby, invitation of third call, which was invited in January 2018, was delayed;

- Contract was awarded in March 2019, *i.e.* after lapse of 13 months from the date of invitation of tender (January 2018) without justified reasons on record.

- Metering works were completed only in 14,232 out of 15,000 feeders,

[23] BESCOM: 2,182; HESCOM: 2,654; MESCOM: 591 and GESCOM: 155.

leaving 738 meters pending as of October 2021, *i.e.* 13 months after stipulated date of completion (September 2020). Moreover, the meters have not been integrated through installation of sim and modems, without which capturing the real time supply of energy is not made possible. This had defeated the purpose of metering.

Thus, the entire process of award of contract took three years (May 2016 to March 2019). Considering the delay in tendering process and also in view of communication received (April 2018/July 2019/August 2019) from MoP/REC to complete metering works by September 2019, the Energy Department decided (November 2019) to take up feeder metering out of ESCOMs' own funds instead of claiming it under DDUGJY due to delay in tendering and completion of works by KPTCL. Accordingly, ESCOMs decided not to claim subsidy and opted out of the scheme. Thereby, ESCOMs lost the opportunity of availing funding under DDUGJY on the cost of ₹ 14.48 crore[24] incurred on metering of 5,582 feeders.

The Government in its reply confirmed (November 2021/April 2022) the audit observation stating that as tendering process was delayed by KPTCL, ESCOMs dropped out from DDUGJY in order to avail additional grant of 15 *per cent* from MoP and opted to use their own fund for carrying out feeder metering. It was also stated that RECPDCL was in the process of implementing National Feeder Monitoring System to monitor all urban and rural 11kV feeders at national level.

***Metering of Distribution Transformers***

**3.6.2.** As per Karnataka Electricity Distribution Code 2015, meters were to be provided at Distribution Transformer Centres (DTC) level and month-wise DTC-wise energy audit was to be conducted to identify high loss areas and facilitate reduction of commercial and technical losses. Further, as per standard bid document (Vol-I, Section VII scope of work), meters were required to be DLMS[25] (Device Language Message Specification) compliant with GPRS[26] compatible modem for facilitating meter data exchange and remote meter reading.

The ESCOMs had carried out metering of 30,069 DTCs under DDUGJY incurring total expenditure of ₹ 62.87 [27] crore. The works were completed during March 2020/March 2021. The details of number of DTCs metered and cost incurred in test checked eight districts[28] under DDUGJY are given in the table below:

[24] ₹ 38.92 crore / 15,000 x 5,582.

[25] Device Language Message Specification (DLMS) facilitate meter data exchange and supports applications such as remote meter reading.

[26] A GPRS (General Pocket Radio Service) modem is GSM modem that supports the GPRS technology for data transmission.

[27] BESCOM (8 districts – 2,709 DTCs): ₹ 3.52 crore; CESC (5 districts – 18,831 DTCs): ₹ 41.60 crore; GESCOM (3 districts – 4,841 DTCs): ₹ 11.86 crore; HESCOM (7 districts – 601 DTCs): ₹ 1.42 crore; MESCOM (4 districts – 3,087 DTCs): ₹ 4.47 crore.

[28] This issue was not observed in the remaining two districts under RGGVY.

**Table No.3.4: Details of DTC metering in test checked districts under DDUGJY**

| Sl. No. | ESCOM | Projects | No. of DTCs | Total expenditure incurred (₹ crore) |
|---|---|---|---|---|
| 1 | BESCOM | Tumkur | 1,211 | 1.56 |
| 2 | CESC | Mandya | 5,074 | 11.34 |
| 3 | GESCOM | Raichur | 1,503 | 3.68 |
| 4 | HESCOM | Haveri | 66 | 0.16 |
| 5 | MESCOM | Shimoga, Chikmagalur | 2,969 | 4.16 |
| | **Total** | | **10,823** | **20.90** |

***(Source: Project closure reports and Detailed Work Awards)***

Audit observed that:

- though the DTCs in BESCOM, HESCOM and MESCOM were installed with DLMS system for facilitating automatic reading of energy consumption, these meters were not provided with the communicable equipment (Sim and Modem). Thereby, installation of DLMS meters did not serve the purpose and the investment remained underutilised;

- CESC had carried out energy audit only in 2,098 out of 18,831 DTCs (11.14 *per cent*) as of March 2021, while GESCOM had not carried out energy audit in any of the DTCs that were metered. Not-carrying out energy audit had not only defeated the purpose of metering the DTCs, but also resulted in violation of Karnataka Electricity Distribution Code.

Thus, 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.

The Government replied (November 2021) that as the works were executed in the rural areas/remote areas where communication network may not exist, the communicable items (Sim and Modem) were omitted while preparing DPRs and only installation of DLMS meters were considered. It was further stated that in BESCOM, energy consumption was taken manually from the meters for energy audit, while steps would be taken to conduct energy audit in all metered DTCs (CESC) and directions were issued to the field offices to carry out the energy audit by manual reading of DTCs (HESCOM/MESCOM). In GESCOM, energy audit is now being carried out.

The reply is not acceptable. Installation of DLMS compliant meters even in places where there was no communication network was not justified as it involved higher cost. Non-provision of sim and modem was not only in deviation from the standard bid document but had failed to serve the intended purpose. Moreover, audit observed that energy audit was carried out only in 43 *per cent* of the DTCs metered in GESCOM, which is in violation of Karnataka Electricity Distribution Code.

### *Foregone energy savings*

**3.7.** With an objective to improve voltage regulation, extend reliable power supply, shift loads from overloaded substations, *etc*, HESCOM executed (2018-19/2019-20) three new substations incurring ₹ 17.13 crore under DDUGJY. Similarly, BESCOM executed (2019-20) works of bifurcation of feeders and establishment of two link lines to improve voltage profile at a cost of ₹ 1.13 crore. These works envisaged annual energy savings of 87.66 Million Units (MUs). Audit observations are discussed in ***Paragraphs 3.7.1 and 3.7.2***.

### *Due to deficient planning*

**3.7.1.** HESCOM awarded (February 2017) contracts for establishing three new 33/11kV substations at three different locations in Haveri District[29] at a total cost of ₹ 17.13 crore with a stipulation to complete by January 2018. These works had envisaged total annual energy savings of 26.51 MUs. The details of works, deficiencies noticed in audit and their impact are detailed in the table below:

**Table No.3.5: Loss of energy savings due to deficient planning**

| Sl. No. | Work details | Planning deficiency | Impact |
|---|---|---|---|
| 1 | • **Work**: Establishment of a new 33/11kV substation and 33kV lines at Arabgonda in Byadgi Taluk of Haveri District.<br>• **Envisaged annual energy savings**: 12.21 MUs<br>• **Contract price:** ₹ 5.73 crore<br>• **Date LoI**: February 2017<br>• **Stipulated completion date**: January 2018.<br>• **Actual completion**: January 2020. | • Request to Government for land and approvals obtained in June 2017/August 2017;<br>• Land handed over to the contractor (December 2017), *i.e.* 10 months after issue of LoI.;<br>• Clearance from Railway and National Highway authorities obtained in July/September 2019, *i.e* after one and half – years of stipulated date of completion. Though this bottleneck was identified in the DPR, timely action was not taken;<br>• Delay in inspection of materials (January/February 2018) and issuing dispatch instructions. | • Delay by 24 months;<br>• Loss of energy savings of 24.42 MUs valued at ₹ 9.21 crore30 |
| 2 | • **Work**: Establishment of a new 33/11kV substation and 33kV lines at Nayikerur in Savnur Taluk of Haveri District.<br>• **Envisaged annual energy savings**: 5.22 MUs<br>• **Contract price**: ₹ 5.82 crore<br>• **Date LoI**: February 2017<br>• **Stipulated completion date**: January | • Land identified for substation at Nayikerur was forest land;<br>• Alternate land at Hesarur identified in June 2017, i.e. four months after issue of LoI. | • Delay by 12 months;<br>• Loss of energy savings of 5.22 MUs valued at ₹ 1.97 crore (₹ 3.77 per unit for 12 months). |

[29] This issue was not observed in the remaining nine test checked districts.
[30] ₹ 3.77 per unit for 24.42 MUs as projected in DPR for 24 months.

| Sl. No. | Work details | Planning deficiency | Impact |
|---|---|---|---|
| | 2018.<br>• **Actual completion**: January 2019. | | |
| 3 | • **Work**: Establishment of a new 33/11kV substation at Gandhipur and 33kV lines from 110/11 KV Hangal Substation to 33/11 KV Akkialur Substation.<br>• **Envisaged annual energy savings:** 9.08 MUs<br>• **Contract price:** ₹ 5.58 crore<br>• **Date LoI:** February 2017<br>• **Stipulated completion date:** January 2018.<br>• **Actual completion:** October 2018. | • Land handed over to the contractor in September 2017, i.e. after seven months of LoI. | • Delay by 10 months;<br>• Loss of energy savings of 7.57 MUs valued at ₹ 2.85 crore (₹ 3.77 per unit for 10 months) |

***(Source: Letters of Intent/Detailed Work Awards, Correspondence by HESCOM)***

Audit observed that the works were delayed from 10 to 24 months beyond stipulated dates, due to not-ensuring required land and statutory approvals for execution of substations prior to award of works. This had not only resulted in deferment of realising envisaged benefits, *viz.* improvement of voltage profile, providing reliable power supply, shifting of overloaded substations, *etc*, but also resulted in loss of energy savings (37.21 MUs) valued at ₹ 14.03 crore[31].

The Government stated (November 2021) that best efforts were made for purchase of land and the works were completed within the extended timeline of 31 December 2020 granted by MoP.

The reply is not acceptable as HESCOM initiated the land acquisition process post-award of works and statutory clearances were obtained after scheduled date of completion. This caused delay in commencement of works and loss of envisaged energy savings. Besides, the envisaged benefits of improving voltage regulation, extending reliable power supply, shifting loads from overloaded substations had been deferred by 10 to 24 months.

### *Due to non-availability of breakers*

**3.7.2.** BESCOM executed (May 2019 to July 2019) bifurcation of three existing feeders and establishment of two link lines in Hosakote Division at a total cost of ₹ 1.13 crore under DDUGJY. The purpose of the works was to improve voltage profile by shifting tail end loads by which annual energy saving of 61.15 MUs was envisaged.

Audit observed that for shifting the power load from the existing feeders to the newly bifurcated feeders, 11kV breakers[32] were required to be installed. However, neither the scope of contract included provision for purchase of

[31] Total foregone energy saving of 37.21 MUs (refer Table) multiplied with cost of energy (₹ 3.77 per unit) as given in the DPR.

[32] A circuit breaker is an electrical safety device to protect an electrical circuit from damage caused by overcurrent or short circuit.

breakers nor requirement for the material was indicated by the division concerned while awarding the contract.

As a result of non-availability of 11kV breakers, load was not shifted to new feeders, rendering idle investment of ₹ 1.13 crore and loss of energy savings of 91.81 MUs (December 2020).

The Government stated (November 2021) that the installation of 11kV breakers falls under the scope of KPTCL and the works were under progress. The reply is silent on non-provision for breakers at the time of award of contract. Moreover, the intimation, if any, by BESCOM to KPTCL regarding requirement of breakers was not forthcoming from the records.

***Extension of contract***

**3.8.** GESCOM had taken up metering of DTCs and shifting of meters from inside to outside the premises of domestic consumers and replacement of existing electromechanical meter with static meters under DDUGJY. As per General Conditions of Contract (*Clause 34*), extension of contract could be granted in case of force majeure or change in laws and regulation or scope or work. Further, as per the terms of contract (*Clause* 17 of Detailed Work Award (DWA) dated 4 June 2019), liquidated damages for the delay in completion of works were leviable at the rate of 0.5 *per cent* of the value of balance works per week of delay subject to maximum of 5 *per cent* of the contract price.

Audit observed that GESCOM had extended the contract duration beyond the scheduled dates without valid reasons in case of the following contracts:

**Table No.3.6: Extension of contract without levy of liquidated damages**

| Sl. No. | Details of works | Name of the contractor | Audit observations |
|---|---|---|---|
| 1 | • **Name of work:** Metering of 3,871 DTCs in three districts (Bellari, Gulbarga and Raichur);<br>• **Contract price:** ₹ 11.93 crore<br>• **LoI date:** February 2019<br>• **Scheduled date of completion:** August 2019<br>• **Actual date of completion:** March 2020 | M/s. ESPRO Solutions Pvt Ltd. | • Tendering process initiated belatedly in December 2018, *i.e.* 18 months after the approval of DPRs - July 2017;<br>• Short-term tenders invited (December 2018) allowing 10 days for submission of bids against requirement of 60 days as per KTPP Act, to complete the works quickly;<br>• As per the pert chart, 30 *per cent* of works to be completed within two months, 35 *per cent* within next two months, and the balance 35 *per cent* in the next six months. However, as of August 2019 (scheduled date), progress in two blocks (Jewargi and Chittapur) was only 10 *per cent;*<br>• Contract extended upto 31 March 2020 based on the request of the contractor;<br>• Liquidated damages were leviable at the maximum rate of 5 *per cent* of the contract which worked out to ₹ 59.65 lakh. |

| Sl. No. | Details of works | Name of the contractor | Audit observations |
|---|---|---|---|
| 2 | • **Name of work:** Shifting of meters from inside to outside the premises of domestic consumers and replacement of existing electromechanical meter with static meters in six districts (Bellari, Bidar, Gulbarga, Koppal Raichur and Yadgir);<br>• **Contract price:** ₹ 76.30 crore<br>• **LoI date:** February 2019<br>• **Scheduled date of completion:** August 2019<br>• **Actual date of completion:** March/November 2020 | Five firms[33] | • Only 46 *per cent* of the awarded quantities (2,01,665 out of 4,34,851 meters, revised to 3,95,928 meters) were completed as on scheduled date;<br>• Works were completed in March/November 2020 with a delay of seven to 15 months;<br>• Scheduled period of contract was extended upto November 2020 without levy of liquidated damages on requests from the contractors.<br>• Liquidated damages for non-completion within time worked out to ₹ 1.70 crore[34]. |

***(Source: Letters of Intent/Detailed Work Awards, PERT charts, Correspondence by GESCOM)***

Audit observed that:

- GESCOM noted poor progress of work by M/s. ESPRO Solutions Pvt Ltd (Sl.No.1 of table above) during review meetings (June/July 2019) and had even waived (May 2019) the inspection of materials to facilitate early completion of works, in deviation from bid conditions. Notices were also served (June/July/August 2019) on the contractor for default of timelines. Yet, the contract was extended upto March 2020 based on the request of the contractor without invoking penal clauses of the agreement. Thus, purpose of inviting short-term tender and waiving the inspection of material to expedite the completion of work has been defeated. Besides, the quality of materials used in the work was not ensured, as mandatory inspection as per contract had been waived.

- Similarly, in case of contract for shifting and replacement of meters (Sl.No.2 of the table above), GESCOM observed delays on the part of contractors in procurement of meters, *etc* and issued notices (November 2020) for non-completion of works within scheduled time. However, the contract period was extended without levy of liquidated damages stating that six months' duration for completing the works was not practical. This was not justified, as the contractor was bound by the agreed schedule as per the terms of contract.

Thus, extension of contract duration beyond the scheduled dates without levying liquidated damages on defaulting contractors was in violation of the General Conditions of Contract/terms of DWA. Besides, it had defeated the purpose of inclusion of penal clause in the contract to act as deterrent on non-

[33] M/s. VR Patil Vividh Vidyuth Nirman Pvt Ltd (Raichur), M/s. Vishwanath Projects Limited (Gulbarga and Bidar), M/s LAN Engineering and Technologies (Koppal), M/s Spectrum Consultants (Bellari and Hospet), VEMP Power System (Yadgir).
[34] 1,94,263 × (₹ 76.30 crore / 4,34,851) × 5 *per cent*.

performing contractors. Liquidated damages of ₹ 2.30 crore leviable for the above contracts for breach of terms of contract were not levied.

The Government in its reply stated (November 2021) that works were delayed due to scattered houses, line clearance, poor availability of workers, rains and floods (one month) and Elections (Two months).

The reply is not acceptable as the reasons as quoted in the reply were neither discussed in the review meetings where non-performance of contractor was discussed nor were kept on record in the notices to the contractor on poor progress. Also, those reasons were not part of the orders extending the contract.

***Quality Assurance Mechanism***

**3.9.** As per General Conditions of Contract (*Clause.19 & 21A*) and Detailed Award (*Clause. 11.1*), bidder was to offer pre-inspection call after manufacturing at the factory premises as detailed in the tender specifications. The conditions also stipulated purchase of material only from the approved vendors of ESCOMs. Upon such inspection and ensuring quality parameters, ESCOMs had to give dispatch instruction of the material.

Audit observed the following deficiencies:

- In respect of rural electrification works taken up under DDUGJY in eight districts[35] (DWA dated 15 March 2017/24 May 2017), BESCOM approved (September/December 2017) waiver of inspection of material[36] (BPL kit) valued at ₹ 31.80 crore (1,05,990 households at ₹ 3,000 each) procured in the open market from the unapproved vendors (M/s. LVH Energy Pvt Ltd & M/s. South Asia Impex (India)) for electrification of BPL households. During beneficiary survey, audit observed poor quality of material having been used for meter boards (Koratagere, Sira and Tumkur blocks). Standard bid document stipulated that meter board should be of good quality wood or fibre glass reinforced polyester sheet moulding compound (SMC) board. However, meters fixed on a plywood sheet (which was part of BPL kit) were found in damaged condition.

- BESCOM also waived (May/July 2019) the inspection of HT metering cubicles (22 and 68 numbers) twice based on the request (May/July 2019) of the contractor, justifying that duration of contract period given to the contractor was less (two months).

- In respect of electrification of un-electrified habitations in Dubare Site under DDG, CESC waived (March/October 2016) inspection of material at factory premises (15,620 metres of UG cables, 2,130 metres of DC cables, 40 nos. of SPV systems, 100 nos of LED lamps, Batteries, Meters and Meter boxes and panels) quoting the reason as for early completion.

[35] Bangalore Rural, Bangalore urban, Chikkaballapura, Chitradurga, Davanagere, Kolar, Ramnagar and Tumkur.

[36] Service supports, PVC pipe, insulated cable, meter board, internal wiring kit, MS pole, *etc.*

Thus, ESCOMs had no means to ensure quality of material used in the works due to waiver of inspection of material. Also, approval of BESCOM for procuring material from an unapproved vendor was in deviation from the conditions of contract.

The Government stated (November 2021), in respect of procurement of BPL Kits from unapproved vendor, that except single phase energy meter and meter box, other items were to be procured from the open market as there were no specific approved vendors. With regard to waiver of inspection of HT metering cubicles, it was stated that inspection was waived for 90 HT cubicles as the prototype of the materials was carried out at the factory premises and in view of urgency in completing the works.

The reply is not acceptable. As per the Standard Bid Document (*Clause 21A*) and Detailed Work Award (*Clause 11 & 12*), new vendors were to be approved by ESCOMs after assessing the capability of manufacturer by visiting the factory premises. However, BESCOM procured material worth ₹ 31.80 crore from unapproved vendors (M/s. LVH Energy Pvt Ltd and M/s.South Asia Impex (India)) without assessing the capability of manufacturers. Further, waiver of inspection of HT metering cubicles was in violation of Standard Bid Conditions.

With regard to waiver by CESC (in Dubare Site under DDG), it was reiterated that inspection was waived for ensuring early completion. However, waiver of inspection was in violation of the conditions of contract and that there was no assurance on quality of material.

## Execution of works under SAUBHAGYA

**3.10.** Audit observed completion of works with delay, execution of works without sanctioned estimates (₹ 4.75 crore), non-completion of works within time, Discrepancies in material inspection at contractor's stores and Excess payment to contractor (₹ 23.35 lakh). Audit observations are discussed in ***Paragraphs 3.10.1 to 3.10.4***.

### *Completion of works*

**3.10.1.** The details of electrification works under SAUBHAGYA in the test checked districts are given in the table below:

**Table No.3.7: Details of contracts under SAUBHAGYA**

| Sl. No. | District | Date of award of contract | Contract value (₹ in crore) | Schedule date of completion as per contract | Actual date of completion | Delay (Months) |
|---|---|---|---|---|---|---|
| 1 | Bidar | November 2018 | 30.22 | February 2019 | March 2020 | 13 |
| 2 | Raichur | December 2018 /January 2019 | 6.23 | March 2019 | October 2019 | 7 |
| 3 | Haveri | December 2018 | 19.57 | March 2019 | November 2019 | 8 |
| 4 | Chikmagalur | January 2019 | 2.64 | March 2019 | August 2019 | 5 |
| 5 | Udupi | December 2018 | 12.42 | February 2019 | July 2019 | 5 |

***(Source: Letters of Intent/Detailed Work Awards, Project Closure Reports***)

Audit observed that:

- In Raichur and Bidar districts where the works were completed with delay of seven and thirteen months from the scheduled dates, GESCOM extended the contracts beyond scheduled dates without levying liquidated damages, stating that the timeline for completion of the scheme was extended by MoP;

- In the case of contract of Haveri district, HESCOM extended the contracts beyond scheduled dates without levying liquidated damages stating that there was delay in supply of materials required for the works and some of the materials earmarked for the scheme were diverted to other emergency works;

- MESCOM attributed the delay in completion of works (Chikmagalur, Shimoga and Udupi) to difficulty in assessing the number of un-electrified households due to non-availability of ready data on un-electrified households and to collection of such data from Gram panchayats.

Thus, the decision to extend contract by GESCOM on the ground that MoP extended the timeline for the scheme is not justified, as the delay on the part of the contractor attracts penal provisions of the contract. Further, it is evident that ESCOMs did not ensure availability of material and identification of un-electrified households prior to awarding the works.

The Government stated (November 2021) that the works in MESCOM were completed within extended timelines.

The fact remained that the intended benefits of electrification could not reach the beneficiaries in time. The completion was delayed in spite of the fact that execution of works did not involve any land acquisition, statutory clearances, *etc.* Reply in respect of GESCOM and HESCOM was not furnished.

***Execution of works without sanctioned estimates***

**3.10.2.** As per the provisions of Accounts Manual Vol-II of ESCOMs, no work should be taken up for execution unless the detailed plan and the estimate have been sanctioned by the appropriate authority. Items of works not specifically provided for in the sanctioned estimate should not be executed under any circumstances until a revised estimate or supplementary estimate is sanctioned.

Audit observed that in respect of rural electrification works under SAUBHAGYA in Raichur district, works valued at ₹ 4.75 crore[37] (awarded in December 2018 /January 2019) were executed without prior sanction of estimates by the appropriate authority (Executive Engineer/Superintending Engineer/Chief Engineer). As per the information furnished by GESCOM, these works were completed between March 2019 and October 2019, while the

[37] Manvi (₹ 1.31 crore); RSD, Raichur (₹ 0.98 crore); Devdurga (₹ 1.23 crore); Sindhanur (₹ 1.23 crore).

work orders indicating actual quantities executed were approved between October 2019 and March 2020, which implied that the approval were given *post facto* after completion of works. This amounted to unauthorized execution of works, as the works were executed without prior sanction contrary to the manual provisions.

The Government stated (November 2021) that in order to complete the works within stipulated period of three months, tentative work orders were issued.

The reply is not supported by facts, as the tentative work orders stated to have been issued were not kept on record. Moreover, as per the manual provisions, tentative work orders were to be issued only for emergency works.

***Discrepancies in material inspection at contractor's stores***

**3.10.3.** As per the bid conditions, pre-dispatch inspection of material at factory premises was to be carried out by Quality Control wing of GESCOM and thereafter dispatch instructions had to be issued to the contractor. These materials later were to be dispatched and kept in stores of the contractor for use in the works. The materials received at stores were further subjected to physical verification by GESCOM for ensuring the correctness of quality and quantity.

In respect of contract for electrification of 1,084 BPL households in Raichur Rural Sub-division awarded (January 2019) at ₹ 1.12 crore, Audit observed that:

- Pre-dispatch inspection at factory premises and dispatch instructions were given between March 2019 and May 2019, while the date of physical verification at contractors' stores was certified as 26 February 2019, *i.e.* even before pre-dispatch inspection and issue of dispatch instructions;

- Measurement Book indicated that the works were completed on 25 March 2019, much prior to pre-dispatch inspection of material at factory premises.

As such, audit could not ensure the veracity of receipt of materials, their physical verification at the contractor's stores and completion of works.

The Government stated (November 2021) that in order to complete the works within stipulated time, the materials were inspected at factory site by concerned executing authorities.

The reply does not address the audit observation with regard to inconsistencies on dates of dispatch instructions and physical verification of material at contractor's stores, and completion of works.

***Excess payment to contractor***

**3.10.4.** GESCOM issued (November 2018) LoI to M/s Mahadev Prestressed Products Pvt Ltd for electrification of 9,432 BPL households (HHs) in Bidar district under SAUBHAGYA at a total contract price of ₹ 17.17 crore. The contract, which included infrastructural works (Distribution Transformers, 11kV lines, LT lines, *etc*), was to be completed within three months from the date of LoI, *i.e.* by February 2019. The electrification works for 9,426 households were completed in March 2020 at a total cost of ₹ 9.78 crore. Reduction in cost was mainly on account of reduction in infrastructural works by 43.04 *per cent*.

The scrutiny of records made available to audit revealed that there were variations between Joint Inventory statements signed by the Contractor and Assistant Executive Engineer (Electrical) of the subdivision concerned and the final variation statement approved (January 2021) by the Chief Engineer (Electricals) of Gulbarga zone. The payments were regularised as per the final variation statement. The variations are indicated below:

**Table No.3.8: Details of variations in payment made in Bidar district under SAUBHAGYA**

| Sl. No. | Name of the Sub-division | No. of HHs electrified as per joint inventory | No. of HHs for which payment made/claimed in closure proposals | Excess/short (-) (No of HHs) | Excess/short (-) payment (₹) |
|---|---|---|---|---|---|
| 1 | Aurad | 3,230 | 3,204 | -26 | (-) 2,72,494 |
| 2 | Bhalki | 2,520 | 2,803 | 283 | 29,53,543 |
| 3 | Bidar | 1,480 | 1,397 | -83 | (-) 9,34,229 |
| 4 | Kamtana | 2,196 | 2,264 | 68 | 5,88,173 |
| | **Total** | **9,426** | **9,668** | **242** | **23,34,993** |

***(Source: Joint Inventory Report, Project Closure Reports)***

As could be seen from the above details, there was net excess payment of ₹ 23,34,993 to the contractor for 242 households. Audit could not ensure the correctness of payment in the absence any explanation for such variations. Further, GESCOM while preferring claims with REC (March 2021/April 2021) through project closure proposals, indicated 9,668 households as electrified under the scheme, as against 9,426 households certified in the joint inventory statement.

The Government stated (November 2021) that after taking joint inventory, the quantity variation was approved by the Chief Engineer, Gulbarga Zone *vide* letter dated 6 January 2021, and there was no excess payment.

The reply did not address the audit observation on the reasons for the payment for the quantities (242 Nos) not executed by the contractor.

## Execution of works under RGGVY XII Plan

**3.11.** Audit observed deficiencies in execution, Electrification of BPL households at higher cost (₹ 15.68 crore), Loss of subsidy (₹ 18.97 crore) due to non-completion of works and Shortage of materials (₹ 4.27 crore) and loss of subsidy of ₹ 2.88 crore as detailed in ***Paragraphs 3.11.1 to 3.11.4***.

### *Deficiencies in execution*

**3.11.1.** BESCOM issued Letters of Intent (LoI) to the successful bidder for execution of works in five districts[38] under RGGVY XII Plan in November 2014 to complete in 24 months (November 2016). Timelines were extended subsequently upto September 2017 based on contractor's request. The works were, however, completed in December 2017.

Audit analysis of reasons for non-completion of works within scheduled time revealed the following:

- The contractor after conducting field survey noticed abnormal variations in quantities (11kV/LT lines, BPL households, DTCs) in Bangalore Rural district with reference to that in sanctioned DPR, ranging from (-) 100 *per cent* to 36 *per cent*. Further variations were noticed even in actual quantities executed with reference to awarded quantities which ranged between 34 *per cent* and (-) 100 *per cent*. This suggested the fact that survey conducted at the time of preparation of DPR was not realistic;

- Third party inspection agency (RECPDCL) which was responsible for inspection of materials was appointed only in August 2015, after nine months of issue of LoI (November 2014);

- Work orders were issued (between March 2017 and June 2017) to contractor after scheduled date of completion in Nelamangala and Hosakote Divisions. This points to the fact that the system of issuing work orders was deficient as timely issue of work orders was not ensured;

- Complaints from the contractor were noticed regarding delay in receipt of list of BPL households (December 2014/February 2015/March 2015), addition of BPL households in Chikkaballapura and Kolar, non-conducting of material (poles) inspection by BESCOM even after 45 days of request and consequent difficulty in production of new poles due to space constraint.

The Government stated (November 2021) with regard to delay in issue of work orders, that the work orders were issued post completion of works due to nearing of target date. The time extension of contract was given to the contractor without levy of penalty as REC had extended time upto December 2017.

The reply that the work orders were issued post completion of works due to nearing of target date is not acceptable, as the work orders (five numbers) issued during June 2017 by Hosakote Division were completed only in August/December 2017. The reply did not address the audit observation on variations in actual quantities, not-providing list of BPL beneficiaries, delay in inspection of materials, *etc*.

[38] Bangalore Rural, Chikkaballapura, Davanagere, Kolar and Ramnagar.

### *Electrification of BPL households at higher cost*

**3.11.2.** As per Standard Bid Document issued by MoP under RGGVY XII Plan (Clause ITB 27.2), the total charges for supply, Freight & Insurance, erection, testing and commissioning for BPL service connection including taxes and duties should not be more than ₹ 3,000 per service connection. In case, the charges quoted exceed ₹ 3,000 per service connection, then payment should be restricted to ₹ 3,000.

The ESCOMs had electrified 1,27,500 number of BPL households under the scheme by incurring ₹ 53.93 crore[39] during 2014-15 to 2016-17. The following table depicts the details of cost incurred per service connection in the test checked districts under RGGVY:

**Table No. 3.9: Details of cost per BPL connection incurred by ESCOMs under RGGVY**

| Sl. No | ESCOM | Project | No.of BPL households electrified | Awarded cost per BPL connection (₹) | Total cost as per contract (₹ in crore) | Total cost as per scheme (₹ in crore) | Additional cost (₹ in crore) |
|---|---|---|---|---|---|---|---|
| 1 | BESCOM | Bangalore rural | 8,288 | 4,121.12 | 3.42 | 2.49 | 0.93 |
| 2 | CESC | Mysore | 6,141 | 6,660.00 | 4.09 | 1.84 | 2.25 |

***(Source: Detailed Work Awards, Project Closure Reports)***

Audit observed that ESCOMs awarded the contracts at higher rates (₹ 4,121.12 and ₹ 6,660) than that approved under the scheme (₹ 3,000), despite specific clause being included in the Instructions To Bidders which was part of Standard Bid Document issued under the scheme. In particular, awarded rates by CESC were 222 *per cent* of the approved cost per connection. This had resulted in incurring additional expenditure of ₹ 3.18 crore in the test checked two districts[40] under RGGVY towards electrification of BPL households under BESCOM and CESC.

It is pertinent to mention that in case of electrification of BPL households executed under DDUGJY subsequently during 2016-17, ESCOMs restricted the payment to ₹ 3,000 per service connection as per approved cost by MoP. However, this principle was not applied in case of electrification of BPL households under RGGVY XII plan, though the conditions stipulated under both the schemes remained the same.

The Government/ Management stated (November 2021/February 2022) that the actual cost required for providing electricity connection as per schedule of rates/market rates (BESCOM) worked out to ₹ 4,019, against ₹ 3,000 reimbursable per connection under the scheme. It was further stated that though quoted rates were high, the overall tender premium over the estimated cost was less in CESC (12.7 *per cent*).

[39] BESCOM: 96,251 HHs/₹ 39.73 crore; CESC (Mysore, Mandya): 11,264 HHs/₹ 7.55 crore; GESCOM: 1,347 HHs/₹ 0.54 crore; HESCOM (Haveri): 18,638 HHs/₹ 6.11 crore.

[40] This issue was not observed in the remaining eight test checked districts under DDUGJY.

The reply is not acceptable, payment in excess of approved cost was in violation of standard bid document. Instructions To Bidders specified that even in case the charges quoted exceed ₹ 3,000 per service connection, payment should be restricted to ₹ 3,000 and hence tender premium had no bearing as far as charges to be paid for BPL service connections.

***Loss of subsidy due to non-completion of works***

**3.11.3.** The contracts for rural electrification in Mysore and Mandya districts under RGGVY were awarded (November 2014) to M/s. Shreeshwar Electricals Pvt Ltd at a cost of ₹ 26.49 crore and ₹ 17.73 crore. The contracts included electrification of 14,274 BPL households (revised to 10,602 households during survey) in Mysore and 10,824 BPL households (revised to 8,222) in Mandya and related infrastructural works (11kV lines, Distribution Transformers, LT lines, *etc*). The stipulated period for completion of contract was November 2016.

Audit observed that:

i. M/s. Shreeshwar Electricals Pvt Ltd which was awarded with both the above contracts was found to be 'non-responsive' during technical evaluation due to non-submission of certain documents along with the bid[41]. However, the Chief Engineer (Electricals), Mysore Zone being the Chairman of the Tender Scrutiny Committee instructed (November 2014) to make the firm 'responsive' on the ground that the firm had satisfied qualifying requirements of both technical and commercial conditions and to obtain required documents if the firm stands lowest. The decision to make the firm responsive was not in conformity with Rule 24 of KTPP Rules, 2000 which deals with the determination of substantial responsiveness of bidders;

ii. Poor work progress was noted by CESC and served (October 2015 to May 2016) notices to the contractor. Even as of March 2019, *i.e.* after three years of scheduled date, electrification was done only for 6,141 out of 10,602 BPL households in Mysore and 5,123 out of 8,222 BPL households in Mandya and progress in infrastructure works was 2.53 *per cent* in Mysore and 21.08 *per cent* in Mandya. Despite noticing breach of timelines, contract was terminated only in January 2020, after delay of four years of scheduled date of completion (November 2016). The delay in termination of contract lacked justification, as the progress of works as on the scheduled date of completion was very insignificant;

iii. As a result of default by the contractor and delay in termination of contract by CESC, infrastructural works (11kV and LT works) costing ₹ 26.36 crore[42] were not executed. As RGGVY provided subsidy at the

[41] Price adjustment data, option for initial advance, information for e-payment, PF details, declaration regarding MSME, declaration of tax exemption, reductions, allowance or benefits, bank guarantee verification checklist, form of certificate of origin and eligibility, guarantee declaration, manufacturer's authorisation form, *etc*.

[42] Mysore: 11kV works ₹ 11.60 crore, LT Works ₹ 5.29 crore; Mandya: 11kV works ₹ 6.29 crore, LT Works ₹ 3.18 crore (source: approved closure proposals).

rate of 90 *per cent* of the cost incurred, CESC lost the opportunity of availing subsidy to the tune of ₹ 18.97 crore after adjusting ₹ 4.75 crore[43] proposed to be recovered as liquidated damages from the contractor.

The Government stated (November 2021) that considering substantial responsiveness of the bid, the agency had satisfied the qualifying requirements of both technical and commercial conditions. The agency did not submit few documents. With regard to delay in termination and loss of subsidy, it was stated that based on the request of contractor, time extension was given and the loss of subsidy was made good in the LD and performance bank guarantee.

The reply is not acceptable. As per Rule 24 of KTPP Rules, tenders were to be rejected if any of the clauses under sub-rule (2) found to be not substantially responsive. One of the clauses under the said sub-rule mandated to satisfy whether the crucial documents have been signed. In the present tender, bidder was not substantially responsive, since the bidder did not submit many documents (Price adjustment data, PF details, declaration regarding MSME, declaration of tax exemption, bank guarantee verification checklist, form of certificate of origin and eligibility, guarantee declaration, manufacturer's authorisation form, *etc*). Moreover, the bidder was found to be 'non-responsive' during technical evaluation. Secondly, extension of time beyond scheduled date was not justified when the progress was very poor. Further, the loss of subsidy of ₹ 18.97 crore was arrived at by audit after adjusting ₹ 4.75 crore recoverable through LD and bank guarantee.

***Shortage of materials and loss of subsidy***

**3.11.4.** GESCOM, after inviting tenders (August 2014), awarded (March 2015) the contract to M/s. Sreeshwar Electricals Pvt. Ltd. for electrification of 26,518 BPL households along with connected infrastructure[44] in seven blocks of Gulbarga district on turnkey basis. The works were to be completed within 24 months from date of LoI, *i.e.* by March 2017 at a contract price of ₹ 14.08 crore. As per the terms of contract, GESCOM paid (April 2016) to the contractor an amount of ₹ 4.36 crore, being 50 *per cent* of the cost of materials supplied.

Audit observed that:

- The contractor did not show much progress during the contract period, only 1,347 out of 26,518 households (5.08 *per cent*) were electrified with no progress on infrastructural works. As the contractor failed to respond to the notices (May/June/December 2016), contract was short-closed in September 2017 and the performance guarantee of ₹ 1.41 crore was encashed (March 2018). The firm was blacklisted (October 2018) for a period of two years from the date of termination of contract. Recovery of liquidated damages of ₹ 70.40 lakh, which was to be recovered, was pending;

[43] To be adjusted against available funds with CESC (Encashment of BG - ₹ 2.21 crore; Retention amount: ₹ 2 crore and Liquidated damages: ₹ 71.98 lakh).

[44] 11kV lines (38.64 kms); DTCs (113 nos); LT lines (57.31 kms).

- Post-termination of the contract, GESCOM had taken inventory of materials (consumer meters, conductors, poles, *etc*) supplied by the contractor which were kept in contractors' custody and noticed shortage of material. As the contractor did not respond to the notice served (May 2019) on him regarding shortage of materials, GESCOM had gone on arbitration for claim against shortage of material to the extent of ₹ 4.27 crore, the award was passed (May 2020) in favour of GESCOM. However, recovery of this amount was doubtful in the absence of any security. Audit observed that the contract did not include any clause to safeguard the material kept in contractor's custody, against which the advance payment was made.

Thus, GESCOM failed to ensure the safe custody of materials on which advance of ₹ 4.36 crore was made to the contractor. Moreover, GESCOM lost the opportunity of realising the capital subsidy of ₹ 2.88 crore eligible under the scheme due to non-execution of infrastructural works.

Besides, electrification of the remaining BPL households (25,171 nos) which was to be carried out by March 2017, was completed only in March 2020 under DDUGJY/SAUBHAGYA, thereby deferring the benefit of the scheme to the eligible households. As a result, GESCOM lost the subsidy of ₹ 3.32 crore on electrification of 25,171 households under DDUGJY as subsidy was eligible at 60 *per cent* of the cost against 90 *per cent* under RGGVY (₹ 10.99 crore towards eligible subsidy for 26,518 households) *less* ₹ 7.33 crore (subsidy eligible under DDUGJY) *less* ₹ 0.34 crore (subsidy received for 1,347 households). Also, GESCOM could not retain the proceeds of performance guarantee and liquidated damages to the extent of ₹ 1.90 crore, as the REC deducted from the eligible subsidy treating it as receipts under the scheme account.

The Government had not furnished any reply to the above audit observation.

## Execution of works under DDG

**3.12.** Audit observed award of three contracts to ineligible firms in violation of norms, delay in electrification of 416 BPL households by five years from the scheduled date (August 2016), and non-levy of liquidated damages of ₹ 69.90 lakh on the defaulting contractors as detailed in ***Paragraphs 3.12.1 to 3.12.3***.

### *Award of contract to ineligible firm*

**3.12.1.** As per sanction, 1,443 BPL households in 30 Habitations were to be electrified under DDG in three districts, *viz*. Madikeri, Mysore and Chamarajanagara at a total cost of ₹ 19.62 crore through 25 Mini Grid projects.

For the purpose of award of contracts, CESC divided 25 Mini Grid projects into four Packages[45]. The details of contracts awarded are given below:

[45] Package-1: Madikeri; Package-2:Mysore; Package-3 &4:Chamarajanagar.

**Table No. 3.10: Details of contracts awarded by CESC under DDG**

| Sl. No. | Package/ District | Agency | Date of award | No. of BPL households | Contract value (₹ in crore) |
|---|---|---|---|---|---|
| 1 | Package-1/ Madikeri | M/s. Naviya Technologies | August 2015 | 357 | 5.21 |
| 2 | Package-2/ Mysore | M/s Sun Edison Solar Power India Pvt Ltd | January 2016 | 480 | 6.20 |
| 3 | Package- 3&4/ Chamarajanagar | M/s. Naviya Technologies | August 2015 | 702 | 9.33 |

***(Source: Letters of Intent/Detailed Work Awards)***

The first three tenders invited during October 2013/December 2013/May 2014 were cancelled due to lack of response/high quoted rates. The contracts were awarded in fourth call (LoI dated August 2015–Package 1,3,4/January 2016 – Package-2) at a total contract price of ₹ 20.74 crore[46] for electrification of 1,539 BPL households through Mini Grid. The stipulated completion period was eight months. The contracts for Package-1,3 & 4 were awarded to M/s. Naviya Technologies, while package-2 was awarded to M/s Sun Edison Solar Power India Pvt Ltd.

Audit observed that:

- The awarded rates were 71.03 *per cent*, 70.57 *per cent*, 160.58 *per cent* and 71.54 *per cent* above the amount put to tender for four packages respectively. The rates were exorbitantly higher;

- In respect of contracts awarded for Package-1, 2, 3 & 4, two bidders (M/s. Naviya Technologies and M/s. Sun Edison Solar Power India Pvt Ltd) who had participated in the tender were found to be non-responsive as certain documents were not submitted as per the Special Conditions of Contracts (Vol-IA), *viz*. Minimum technical experience of similar works to lead partner, Annual reports with audited statements of accounts for five years of lead partner and partner, work on hand of lead partner, Format for evidence of access to or availability of credit facilities, and proforma of joint undertaking by manufacturer along with the bidder. However, Technical Scrutiny Committee (TSC) headed by the Chief Engineer approved (January 2015) opening the price bid of the firm on the grounds that they had enough experience and were financially capable of executing the works and also in view of the fact that tender has been prolonged for one year. Accordingly, the contracts were awarded to M/s. Naviya Technologies and M/s. Sun Edison Solar Power India Pvt Ltd.

  The grounds on which bidder was made responsive was not justified as the essential requirements of the bid conditions were not met and the action had negated the purpose of tendering. Moreover, awarding the work to non-responsive bidders was in violation of KTPP Rules. This

[46] Package-1: ₹ 5.21 crore; Package-2: ₹ 6.20 crore; Package-3: ₹ 2.69 crore; Package-4: ₹ 6.64 crore.

decision was ratified by the Board of Directors *post facto* in September 2015;

- The contract of M/s. Sun Edison Solar Power India Pvt Ltd was terminated in October 2017, as the contractor failed to show any progress, which indicated that the basis for qualifying the firm (enough experience and financial capability) was not supported by facts. CESC also noted (July 2016) that the firm was not responding to the repeated requests for finalizing the vendors, approval of drawings and getting forest clearance in association with CESC.

Thus, the action of TSC in awarding the contract to the technically non-responsive was in violation of KTPP Rules.

The Government in its reply (November 2021) stated that the firm was made responsive by the tender scrutiny committee considering the financial capability and work experience.

The reply is not acceptable as the bidder was found to be non-responsive during technical evaluation.

***Abnormal delay in electrification of households due to lack of forest clearance***

**3.12.2.** 416 BPL households in eight[47] Habitations in Mysore district were electrified only in July 2021, *i.e.* after lapse of five years from the scheduled date (August 2016).

Audit observed that the execution of electrification of the above BPL households required forest department's approvals for which CESC had submitted the application with forest authorities only in February 2016 and paid the required charges of ₹ 61.66 lakh during June/July 2018, *i.e.* two years after the award of works (January 2016). The required forest clearance was not obtained in time, consequently, works were completed in July 2021 against the scheduled date of August 2016. This resulted in deferring the benefits to eligible BPL households by five years.

Audit also observed that specific directions were given in DISHA meetings held during January 2018 and June 2020 to expedite the electrification works in habitations and to apprise the bottlenecks, if any, in completion of works. However, the bottleneck of forest clearance was not brought before DISHA.

The Government stated (November 2021) that the delay was due to non-receipt of forest clearance for electrification through mini grid mode. The works were completed under standalone mode.

The reply is silent on the specific reasons for delay in obtaining forest clearance, not bringing the fact before DISHA and the reasons for not exploring the option

[47] Golur hadi, Udburkere hadi, Anemala hadi, Balle hadi, Mulluyer hadi, Manimole hadi, Thimmanahosahalli and Bavalligade Hadi.

for electrification of households on standalone mode initially, when the mini grid mode was not permitted.

***Non-levy of liquidated damages for ₹ 69.90 lakh***

**3.12.3.** The terms of contract provided for recovering liquidated damages for the delay at the rate of 0.5 *per cent* per week of delay subject to maximum of 10 *per cent* of the contract price.

In March 2014, MoP sanctioned another 828 households in 11 Habitations in two districts (Mysore and Chamarajanagar) for electrification through Wind-Solar hybrid projects/Standalone Solar System at a cost of ₹ 6.12 crore, revised subsequently to ₹ 4.14 crore. The contract was awarded (January 2017) to M/s. Deepa Solar System Pvt. Ltd for electrification of 1,233 BPL households (revised to 1,093 after survey) in 37 villages/habitations through Standalone Solar System at total contract price of ₹ 6.99 crore. The stipulated completion period was four months.

Audit observed that the works were completed after a delay of four years in January 2021 against the scheduled date of May 2017. However, liquidated damages of ₹ 69.90 lakh leviable as per the terms of contract were not levied on the contractor for the delay.

The Government stated (November 2021) that Central Purchase Committee after detailed deliberations approved (June 2021) for extension of time upto February 2021 without penalty.

The reply is silent about the grounds on which liquidated damages were not levied.

## Conclusion

ESCOMs failed to establish the mechanism for proper energy accounting despite incurring significant expenditure of ₹ 62.87 crore on metering of Distribution Transformer Centres. Failure to ensure timely availability of land required for constructing substations, HESCOM lost the energy savings valued ₹ 14.03 crore. GESCOM failed to ensure the safe custody of materials kept with contractor's custody which resulted in shortage of material valued at ₹ 4.27 crore. The contracts with total value of ₹ 64.96 crore were awarded to ineligible firms in violation of KTPP Act. Liquidated damages of ₹ 3 crore were not levied on the defaulting contractors in violation of terms of contract. CESC and GESCOM lost capital subsidy/grant of ₹ 25.17 crore due to non-completion of sanctioned works under RGGVY. Quality of materials used in the works was compromised by waiving the mandatory inspections and procuring materials valued at ₹ 31.80 crore from unapproved vendors. 204 villages in two districts (Shimoga and Chikmagalur) were deprived of *24x7* power supply for more than three years due to not ensuring required statutory clearances for feeder segregation under the jurisdiction of MESCOM.

**Recommendations**

The ESCOMs should ensure:

- **awarding of contracts after invitation of tenders to the eligible firms duly complying with the provisions of KTPP Act and KTPP Rules;**
- **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; and**
- **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.**

# CHAPTER – IV
# Survey Findings and Monitoring issues

## Chapter-IV

## Survey findings and Monitoring issues

### Survey findings

**4.1.** In order to elicit views of the Beneficiaries and Gram Panchayats on implementation of the schemes (DDUGJY/SAUBHAGYA and RGGVY) and the extent of reach of benefits that were envisaged to the targeted people, Audit conducted a survey of Beneficiaries and heads of Gram Panchayats. For this purpose, two independent sets of proforma of questionnaires, one for Beneficiary survey and another for Village survey were prepared by incorporating various elements of benefits envisaged under the schemes.

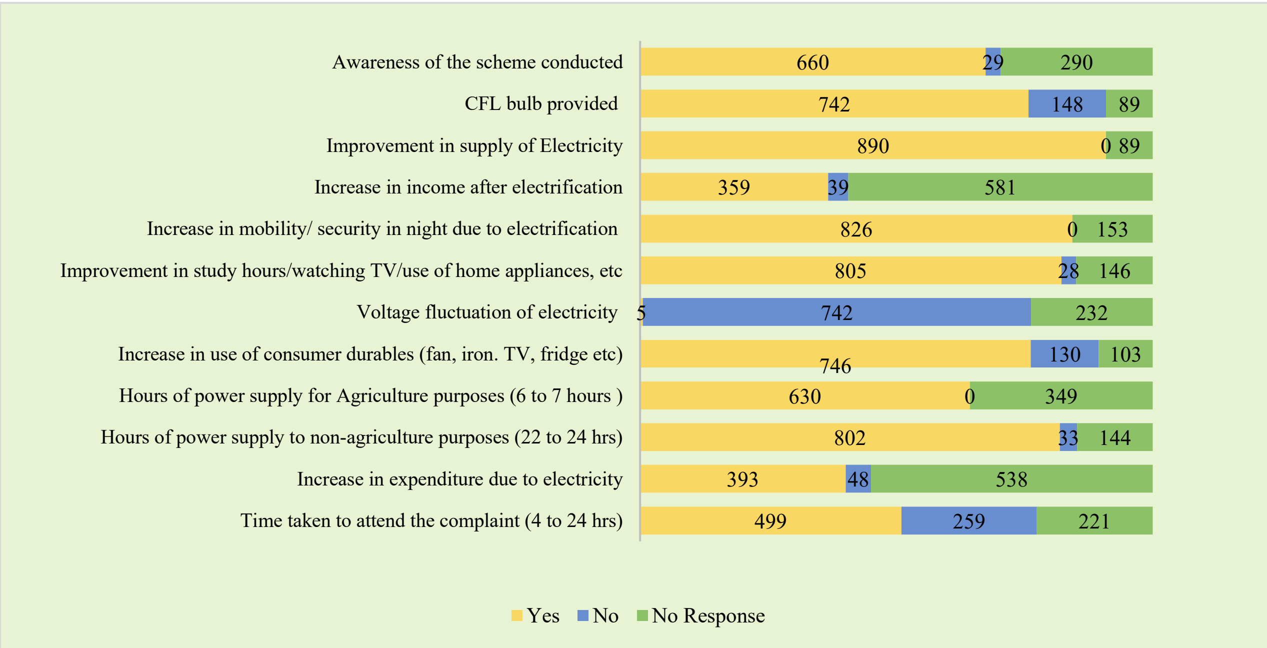
For the purpose of survey, Audit personnel visited the houses of Beneficiaries and the heads of Gram Panchayats in the selected villages. After taking the consent, answers to each of the questions in the proforma were obtained from the Beneficiaries and heads of Gram Panchayats. The proforma filled with the answers was jointly signed by the Beneficiaries and the Audit personnel. Besides, photographs of each of the Beneficiaries and heads of Gram Panchayats surveyed were taken with Geo-tag reference. A total of 979 beneficiaries in 105 villages were visited across all the five ESCOMs.

The opinion of the beneficiaries and Gram Panchayat heads is summarized below.

***Beneficiary survey***

**4.1.1.** The responses of 979 Beneficiaries to some of the important questions are indicated in the chart below:

**Chart No.4.1: Responses from 979 beneficiaries in 105 villages**



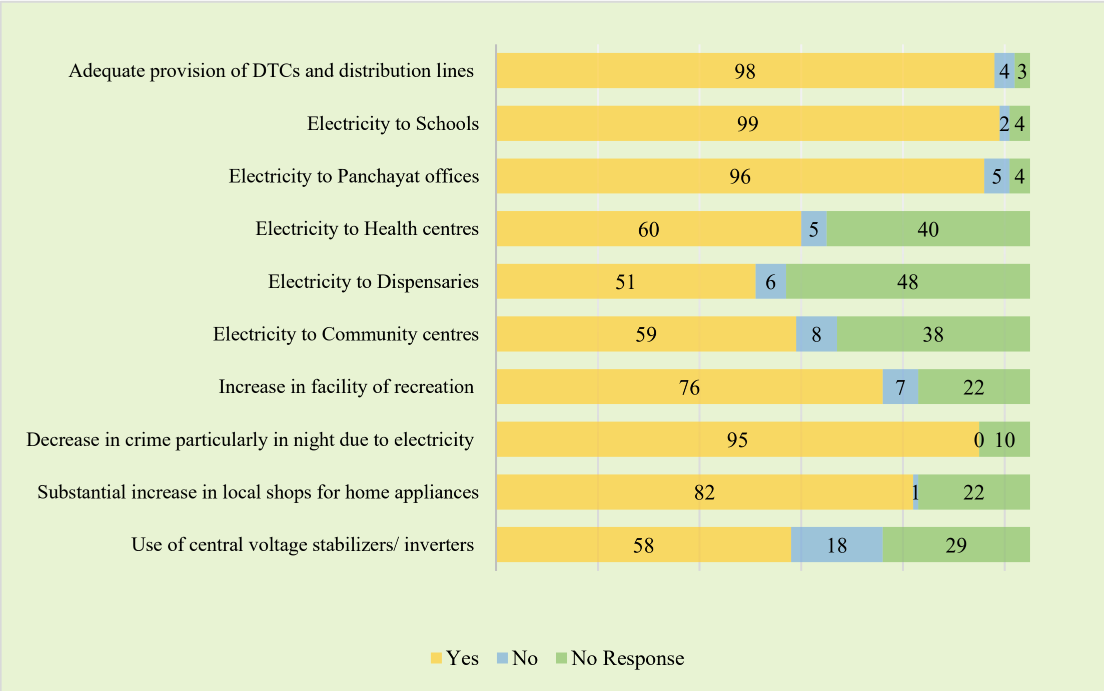
Audit observed that:

- 148 Beneficiaries stated that CFL bulb which was to be provided along with electricity connection, was not provided;
- 890 beneficiaries stated that there was improvement of power supply and 802 beneficiaries said that hours of power supply for non-agriculture purpose were between 22 to 24 hours;
- 826 beneficiaries said that there was increase in mobility/security during night due to electrification and 805 beneficiaries stated that there was improvement in study hours/watching TV/use of home appliances, *etc*.

***Village survey***

**4.1.2.** Audit met the village panchayat heads/Panchayat Development Officers (PDOs) in 105 selected villages to get the feedback on adequacy of Distribution Transformer Centres, electricity to public places, such as schools and health centres. Audit also ascertained the impact of electrification in the villages on certain areas like, recreation facilities, crime, setting up of local shops for home appliances, usage of voltage stabilizers, *etc*. The responses are indicated in the chart below:

**Chart No.4.2: Responses from 105 Village Panchayat heads/PDOs**




Audit observed that:

- 90 *per cent* of the surveyed villages stated that there was decrease in crime particularly during night after electrification.
- 49 *per cent* to 94 *per cent* stated that the public places such as schools, health centres, dispensaries, community centres, *etc* have been

electrified.

- 72 *per cent* to 78 *per cent* of villages stated that there was increase in facilities for recreation and local shops for home appliances.

**4.2.** Audit also noticed certain lapses during beneficiary survey with regard to consumer connections as discussed in ***Paragraph No.4.2.1 and 4.2.2***:

***Violation of conditions of standard bid document***

**4.2.1.** ESCOMs deviated from the standard bid conditions by not adhering to certain technical specifications for household electrification as depicted in the table below:

**Table No.4.1: Deviations from standard bid conditions**

| Sl. No. | ESCOM | Condition of SBD | Violation | Blocks | No. of villages | No. of consumers |
|---|---|---|---|---|---|---|
| 1 | BESCOM, CESC, GESCOM, HESCOM, MESCOM | Para 21.1.15 of Section VII | Earth terminal not provided | Doddaballapur, Devanahalli, Sira, Koratagere, Tumkur, K R Pete, Bidar, Aurad, Devdurga, Sindhanur, Ranebennur, Soraba | 44 | 206 |
| 2 | BESCOM | Para 21.1.15 of Section VII | Fuse and MCB not provided | Devanahalli, Tumkur, Koratagere | 9 | 33 |
| 3 | BESCOM, GESCOM, HESCOM | Para 21.1.12 | Meter box not provided | Sira, Koratagere, Tumkur, Sindhanur, Haveri | 11 | 44 |
| 4 | BESCOM | Vol-I Section VII | Fibre glass reinforced polyester SMC board not provided | Sira, Koratagere, Tumkur | 15 | 176 |
| 5 | BESCOM | Para 1.1.1 | Larger span of service cable (not more than 35 metres) | Doddaballapur, Sira, Koratagere | 4 | 7 |

***(Source: Standard Bid Document and beneficiary survey)***

Audit observed that ESCOMs failed to adhere to the prescribed technical specifications, *viz*. Non-provision of Earth terminal (206 consumers), Sheet Moulding Compound[48] (SMC) Board (176 consumers), Meter box (44

[48] SMC board is used for fixing the energy meter in the consumer premises.

consumers) and Fuse/ Miniature Circuit Breaker[49] (MCB) for 33 consumers. Non-provision of these devices for household electrification was not only in violation of standard bid conditions, but also resulted in undue benefit to the contractors as the cost of such items were included in the estimate put to tenders.

The Government stated (November 2021) that the observations made in audit were being attended to and that the compliance would be submitted to audit by BESCOM. In case of non-provision of earth terminal in Households of Soraba block (MESCOM), it was stated that the same had been rectified. Reply in case of other three ESCOMs has not been furnished.

***Discrepancies in consumer service connections***

**4.2.2.** Audit observed discrepancies in service connections in the surveyed villages, such as non-working consumer meters, disconnected connections, non-issue of bills, *etc* as detailed in the table below:

**Table No.4.2: Discrepancies in consumer service connections**

| Sl. No. | ESCOM | Discrepancies | Blocks | No. of villages | No. of consumers |
|---|---|---|---|---|---|
| 1 | BESCOM | Consumer meters not working | Doddaballapur, Devanahalli, Sira, Koratagere, Tumkur | 13 | 30 |
| 2 | GESCOM, HESCOM, MESCOM | Meters not sealed | Devdurga, Sindhanur, Haveri, Ranebennur, Soraba, Hosanagara | 29 | 245 |
| 3 | BESCOM, HESCOM | Disconnected consumers | Doddaballapur, Devanahalli, Sira, Tumkur, Haveri, Ranebennur | 12 | 28 |
| 4 | BESCOM, CESC, HESCOM | Bypassing of meters | Doddaballapur, Devanahalli, Sira, Tumkur, Ranebennur, Malavalli | 10 | 20 |
| 5 | CESC, HESCOM | Average billing/load not connected | K R Pete, Malavalli, Haveri | 5 | 10 |
| 6 | BESCOM, CESC | lower consumption of electricity | Doddaballapur, Devanahalli, Koratagere, Tumkur, K R Pete | 24 | 47 |

[49] MCB automatically switches off electrical circuit during overload/excess current.

| Sl. No. | ESCOM | Discrepancies | Blocks | No. of villages | No. of consumers |
|---|---|---|---|---|---|
| 7 | GESCOM, HESCOM | Bills not issued | Bidar, Haveri | 2 | 11 |

***(Source: Beneficiary survey)***

Audit observed that:

- Meters not sealed (245 consumer connections) were susceptible to tampering and theft of energy;
- Meters not working (30 numbers) would result in loss of revenue, as meter reading for the energy consumed was not possible and also bypassing of meters (20 consumers) lead to unauthorised use of electricity;
- Low consumption of energy (0 to 300 units since date of connection) was noticed in 47 consumers which indicated malfunctioning of meters;
- Bills to the consumers were to be issued within two months of energisation as per Electricity Supply and Distribution Code, however, bills were not issued to 11 consumers within the stipulated period.

The Government stated (November 2021) that the observations made in audit in respect of BESCOM were being attended to and that the compliance would be submitted to audit. In case of Hosanagara block under MESCOM, it was stated that action had been taken to seal all the meters installed under the scheme. Reply in case of observations in the remaining ESCOMs has not been furnished.

## Conclusion

During beneficiary survey, audit noticed various deficiencies, *viz*. Not providing CFL bulb to 148 Beneficiaries, 245 consumer meters being susceptible to tampering and theft of energy as they were not sealed, meters not being in working condition (30 numbers) and electricity bills not being issued to the consumers (11 consumers) resulting in loss of revenue and meters being bypassed (20 consumers) leading to unauthorised use of electricity. Prescribed technical specifications for consumer service connections were not adhered to, *viz*. Non-provision of (i) Earth terminal (206 consumers), (ii) Sheet Moulding Compound Board for 176 consumers, (iii) Meter box (44 consumers) and (iv) Fuse/ Miniature Circuit Breaker (33 consumers).

## Recommendation

- **The ESCOMs should ensure 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.**

## Monitoring issues

**4.3.** The Monitoring Committee (MC) had given its approval in August 2015 for implementation of DDUGJY in the state. As per the guidelines, works should have commenced within six months from the communication of approval by MC, *i.e.* by February 2016, and completed within 24 months. Audit observed delays at various stages of implementation as discussed in the preceding chapters, the delay in completion of works ranged from 12 to 37 months beyond the stipulated dates. Due to non-completion of works within targeted timelines, 723 villages[50] (in four out of ten audit sampled districts) had availed electrification by paying applicable charges, thereby depriving the eligible beneficiaries of free electricity available under the schemes. This pointed to the fact that the monitoring was not effective. Audit observations on monitoring by various authorities setup under the schemes are discussed below:

***Monitoring by various authorities***

**4.3.1.** The GoK/ESCOMs had set up the required monitoring mechanism at various levels in conformity with the guidelines, *viz.*

(i) State Level Standing Committee[51] (SLSC) to monitor progress, quality control and resolve issues relating to implementation of sanctioned projects, *viz.* allocation of land for sub stations, right of way, forest clearance, railway clearance, *etc*;

(ii) District Development Coordination and Monitoring Committees (DISHA), previously called District Electricity Committee (DEC);

(iii) Appointment of Project Management Agency (PMA) to assist in project management ensuring timely implementation of the project.

Audit made the following observations on monitoring by SLSC, DISHA and PMA.

**Table No.4.3: Audit observations on monitoring**

| Sl. No. | Monitoring level | Audit observations |
|---|---|---|
| 1 | **State Level Standing Committee**<br>• Constituted in September 2013 for RGGVY and in February 2015 for DDUGJY;<br>• Responsible for recommending DPRs to Monitoring Committee, ensuring no duplication/overlapping of works with other schemes, monitoring progress, quality control and resolving issues (land for substations, | • The order constituting the committee was silent on frequency at which the committee had to convene the meetings.<br>• SLSC met three times for discussing RGGVY XII plan during four-year period of implementation of the scheme (2014-15 to 2017-18). These meetings were held for approving the project proposals in the first two |

[50] Bidar (68 nos), Haveri (159 nos), Mysore (426 nos), Raichur (70 nos).

[51] Consisting of Secretaries of Energy, Rural Development, Finance, Panchayat Raj, Forest, Revenue and a representative of REC, *etc* as its members.

| Sl. No. | Monitoring level | Audit observations |
|---|---|---|
| | railway/forest clearance, *etc*). | meetings (February 2014, August 2014) and closure proposal in the third meeting (November 2018).<br>• The Committee did not discuss implementation of the scheme in spite of the fact that projects under RGGVY were short-closed in CESC and GESCOM due to non-performance of contracts and the grant of ₹ 25.17 crore was lost (***Paragraphs 3.11.3, 3.11.4)***.<br>• In case of DDGUJY, SLSC met five times between July 2015 and December 2020. These meetings were conducted mainly for approving the project cost and supplementary DPRs (July 2015, September 2015, and November 2016), reviewing the progress of works (August 2018), and approval of closure proposals of the scheme (December 2020).<br>• Effectively, the Committee met only once for the purpose of reviewing the progress of works. The Committee did not discuss bottlenecks in execution of works such as, right of way issues, forest and railway clearances, non-availability of land, non-performance of contractors, *etc* (***Paragraphs 3.5, 3.7***). |
| 2 | **District Development Coordination and Monitoring Committees (DISHA) at State Level**<br>• The state level committees[52] headed by the Chief Minister or Minister in-charge as co-chairperson to discuss issues requiring persuasion at highest level in the state. | • DISHA was required to meet at least once in six months at state level. However, state level DISHA committee did not meet after its formation; |
| 3 | **District Development Coordination and Monitoring Committees (DISHA) at District Level**<br>• In the district level, DISHA committees[53] were constituted with Member of Parliament from the district as the Chairperson to discuss implementation of schemes as per | • DISHA was required to meet at least every quarter at district level. During 2015-16 to 2020-21, a total of 247 meetings were held against 810 meetings required to be held in the |

[52] Members include, *viz*. Member of Parliament, Members of Legislative Assembly, heads of State Government Departments, Chief Postmaster General of the Circles, Director, Institutional Finance, Managing Director/heads of SC/ST Development Corporation, *etc.*

[53] Members include, *viz*. District Collector/District Commissioner, all member of the State Legislative Assembly from the District, one representative from the State Government, all Mayors of Municipalities, chairpersons of Zilla Panchayat *etc*.

| Sl. No. | Monitoring level | Audit observations |
|---|---|---|
| | guidelines, resolving constraints, monitoring, *etc*. | districts coming under the jurisdiction of five ESCOMs. These DISHA meetings held at district level discussed mainly the progress of works. |
| 4 | **Project Management Agency (PMA)**<br>• ESCOMs appointed (2015-16) M/s. REC Power Development Corporation Limited as PMA.<br>• Scope of contract included project planning, formulation, coordination of bidding process, implementation, monitoring including quality controls, maintenance of MIS and its updation of web portal and coordination with REC/MoP. | • No evidence was kept on record in support of PMA involving/assisting ESCOMs in DPR formulation, bidding process, identifying bottlenecks in implementation (forest, railway clearances, land availability, *etc*), submission of periodic reports to the Project Management Cell, *etc*. |

***(Source: Orders issued by GoK, Minutes of SLSC/DISHA)***

The Government stated (November 2021/April 2022) that the SLSC meetings were conducted by the Energy Department as and when the proposals were received from the ESCOMs and the scheme was completed within the extended timelines granted by MoP, *i.e.* by December 2020. With regard to PMA, it was stated that PMA involved in evaluation of bidding process till the award of works and also assisted in preparation of closure proposals.

The fact remained that the works were delayed on account of various bottlenecks which were not brought to notice of SLSC for their early resolution thereby defeating the purpose of its formation. The reply that PMA had involved during bidding process and submission of closure proposals was not supported by documentary evidence.

## Conclusion

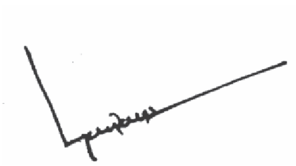
The State Level Standing Committee (SLSC) met only once for the purpose of reviewing the progress of works during the period of implementation of DDUGJY. The SLSC did not discuss bottlenecks in execution of works such as, right of way issues, forest and railway clearances, non-availability of land, non-performance of contractors. Further, the State Level District Development Coordination and Monitoring Committees (DISHA) did not hold any meetings after its formation. Also, the district level DISHA held only 247 meetings (30 *per cent*) against 810 meetings required to be held at district level during 2015-16 to 2020-21. The delay in commencement and completion of works (12 to 37 months) beyond the stipulated timelines had not only led to deferment of envisaged benefits of electrification to the beneficiaries but also deprived 723 villages of free electricity facility under the scheme, as they had electrified their households on their own.

**Recommendation**

- **The Government should 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.**

**Bengaluru** **(Shanthi Priya S)**
**The** **Principal Accountant General (Audit-II)**
**Karnataka**

**Countersigned**



**New Delhi** **(Girish Chandra Murmu)**
**The** **Comptroller and Auditor General of India**

# Appendices

# Appendix – 1

***(Referred to in Paragraph 1.7)***

**Details of audit sampled projects under DDUGJY/SAUBHAGYA, RGGVY**

| ESCOM | Selected district | Selected blocks | Total no. of villages | No. of villages selected for audit |
|---|---|---|---|---|
| **DDUGJY** | | | | |
| BESCOM | Tumkur | Sira | 249 | 10 |
| | | Koratagere | 251 | 10 |
| | | Tumkur | 373 | 10 |
| CESC | Mandya | Malavalli | 177 | 10 |
| | | Krishnarajapet | 280 | 10 |
| GESCOM | Raichur | Devadurga | 10 | 3 |
| | | Sindanoor | 36 | 10 |
| | Bidar | Aurad | 19 | 6 |
| | | Bidar | 17 | 4 |
| HESCOM | Haveri | Haveri | 53 | 10 |
| | | Ranebennur | 26 | 7 |
| MESCOM | Udupi | Kundapura | 99 | 10 |
| | | Karkala | 39 | 10 |
| | Shimoga | Soraba | 277 | 10 |
| | | Hosanagara | 152 | 10 |
| | Chikmagalur | Kadur | 279 | 10 |
| | | Mudigere | 128 | 10 |
| **Total** | **8 Districts** | **17 Blocks** | **2,465** | **150** |
| **RGGVY** | | | | |
| BESCOM | Bangalore Rural | Doddaballapura | 245 | 10 |
| | | Devanahalli | 166 | 10 |
| CESC | Mysore | Krishnarajanagar | 135 | 10 |
| | | Nanjangudu | 183 | 10 |
| **Total** | **2 Districts** | **4 Blocks** | **729** | **40** |

## Appendix–2

***(Referred to in Paragraph 2.5)***

**Details of Grant and Expenditure under DDUGJY/SAUBHAGYA/RGGVY/DDG**

**(₹ crore)**

| Sl. No. | Scheme/ ESCOM | Total cost sanctioned as per approved DPRs | Total grant sanctioned by GoI | Actual Expenditure incurred by ESCOMs | Saving (-)/ Excess (Total expenditure *less* sanctioned cost) |
|---|---|---|---|---|---|
| **DDUGJY** | | | | | |
| 1 | BESCOM | 236.51 | 142.34 | 307.10 | 70.59 |
| 2 | CESC | 280.23 | 168.70 | 314.63 | 34.40 |
| 3 | GESCOM | 499.31 | 300.47 | 543.75 | 44.44 |
| 4 | HESCOM | 333.78 | 200.61 | 373.53 | 39.75 |
| 5 | MESCOM | 397.65 | 239.29 | 433.96 | 36.31 |
| | **Total** | **1,747.48** | **1,051.41** | **1,972.97** | **225.49** |
| **SAUBHAGYA** | | | | | |
| 1 | BESCOM | 0 | 0 | 0 | 0 |
| 2 | CESC | 12.72 | 9.88 | 17.59 | 4.87 |
| 3 | GESCOM | 73.72 | 37.72 | 67.01 | (-) 6.71 |
| 4 | HESCOM | 93.69 | 41.94 | 71.05 | (-) 22.64 |
| 5 | MESCOM | 15.68 | 8.25 | 14.48 | (-) 1.20 |
| | **Total** | **195.81** | **97.79** | **170.13** | **(-) 25.68** |
| **RGGVY** | | | | | |
| 1 | BESCOM | 52.55 | 45.24 | NA | - |
| 2 | CESC | 33.57 | 3.37 | NA | - |
| 3 | GESCOM | 12.22 | 0.34 | NA | - |
| 4 | HESCOM | 6.07 | 4.83 | NA | - |
| | **Total** | **104.41** | **53.78** | **74.17** | **(-) 30.24** |
| **DDG** | | | | | |
| 1 | CESC | 23.76 | 23.31 | 27.59 | 3.83 |
| 2 | GESCOM | 0.53 | 0.77 | 1.06 | 0.53 |
| 3 | MESCOM | 0.61 | 0.46 | 0.66 | 0.05 |
| | **Total** | **24.90** | **24.54** | **29.31** | **4.41** |
| | **Grand Total** | **2,072.60** | **1,227.52** | **2,246.58** | **173.98** |

**(Source:** Data furnished by Energy Department**)**

## Appendix–3

***(Referred to in Paragraphs 2.5, 3.1)***

**Details of electrification of BPL Households under DDUGJY/SAUBHAGYA/RGGVY/DDG**

| Sl. No. | Scheme | Number of BPL households sanctioned for electrification | Number of BPL households actually electrified | Achievement (*per cent*) |
|---|---|---|---|---|
| **DDUGJY** | | | | |
| 1 | BESCOM | 1,19,652 | 1,05,990 | 88.58 |
| 2 | CESC | 48,568 | 37,534 | 77.28 |
| 3 | GESCOM | 4,942 | 3,802 | 76.93 |
| 4 | HESCOM | 89,575 | 88,442 | 98.74 |
| 5 | MESCOM | 35,051 | 32,572 | 92.93 |
| | **Total** | **2,97,788** | **2,68,340** | **90.11** |
| **SAUBHAGYA** | | | | |
| 1 | BESCOM | 0 | 0 | 0.00 |
| 2 | CESC | 3,891 | 3,891 | 100.00 |
| 3 | GESCOM | 82,959 | 84,317 | 101.64 |
| 4 | HESCOM | 86,868 | 78,344 | 90.19 |
| 5 | MESCOM | 4,951 | 5,332 | 107.70 |
| | **Total** | **1,78,669** | **1,71,884** | **96.20** |
| **RGGVY XII Plan** | | | | |
| 1 | BESCOM | 60,531 | 96,251 | 159.01 |
| 2 | CESC | 25,098 | 11,264 | 44.88 |
| 3 | GESCOM | 26,518 | 1,347 | 5.08 |
| 4 | HESCOM | 18,638 | 18,221 | 97.76 |
| 5 | MESCOM | 0 | 0 | 0.00 |
| | **Total** | **1,30,785** | **1,27,083** | **97.17** |
| **DDG XII/DDG New** | | | | |
| 1 | CESC | 2,628 | 3,427 | 130.40 |
| 2 | GESCOM | 40 | 40 | 100.00 |
| 3 | MESCOM | 123 | 148 | 120.33 |
| | **Total** | **2,791** | **3,615** | **129.52** |
| | **Grand Total** | **6,10,033** | **5,70,922** | **93.59** |

(**Source:** Closure proposals of ESCOMs, Final Closure reports approved by REC, Letter dated 25.4.2022 of Energy Department)

## Appendix–4

***(Referred to in Paragraph 3.2)***

**Details of tender premium paid on award of projects**

| Sl. No. | District | Date of award | Estimated cost put to tender (₹ crore) | Contract value (₹ crore) | Percentage of premium |
|---|---|---|---|---|---|
| 1 | Bangalore Rural | November 2014 | 3.98 | 5.33 | 30.68 |
| 2 | Mysore | November 2014 | 23.50 | 26.49 | 12.70 |
| 3 | Tumkur | January 2017 | 69.55 | 84.17 | 26.90 |
| 4 | Bidar | July 2017 | 70.48 | 84.19 | 19.44 |
| 5 | Raichur | July 2017 | 41.96 | 51.98 | 23.90 |
| 6 | Mandya | February 2017 | 47.81 | 58.56 | 22.49 |
| 7 | Chikmagalur | April 2017 | 117.53 | 144.39 | 18.92 to 23.00 |
| 8 | Haveri | April 2017 | 26.33 | 31.85 | 12.57 to 20.95 |
| 9 | Shimoga | April 2017 | 147.44 | 181.35 | 18.92/23.00 |
| 10 | Udupi | April 2017 | 7.82 | 9.90 | 30.00 |