

Chapter-I

Implementation of Ujwal DISCOM Assurance Yojana in Rajasthan

Introduction

1.1 The power sector value chain in India is broadly segmented into generation, transmission and distribution sectors. The distribution sector consists of Power Distribution Companies (DISCOMs) responsible for purchase and sale of power to the consumers at the rates determined by the Electricity Regulatory Commission concerned in the tariff orders issued from time to time. This sector is the weakest link in terms of financial and operational sustainability.

In Rajasthan, as part of power sector reforms, the State Government had unbundled the Rajasthan State Electricity Board and formulated (June 2000) five power sector Companies {viz. Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL), Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL), Jaipur Vidyut Vitran Nigam Limited (Jaipur DISCOM), Ajmer Vidyut Vitran Nigam Limited (Ajmer DISCOM) and Jodhpur Vidyut Vitran Nigam Limited (Jodhpur DISCOM)}. The State-owned DISCOMs in Rajasthan were trapped in a vicious cycle with operational losses being funded by debt.

Launch of Ujwal DISCOM Assurance Yojana

1.2 The Central and State Governments had launched various schemes and initiatives from time to time aimed at improving the operational and financial health of the DISCOMs. These attained limited success and the DISCOMs continue to be a resource drain on the economy. During November 2015, the Ministry of Power (MoP), Government of India (GoI) launched the Ujwal DISCOM Assurance Yojana (UDAY) with the twin objective of financial turnaround and improving operational efficiency of State-owned DISCOMs¹. The Scheme was envisaged as a path-breaking reform for realising the vision of affordable and accessible '24x7 Power for All'.

In addition, participating States were required to develop State specific targeted programmes for other activities to improve DISCOM efficiency as envisaged in the '24X7 Power for All' document. Further, the outcomes of operational improvements were to be measured through the following two indicators:

Reduction in AT&C losses

- Reduction of AT&C loss to 15 per cent in 2018-19 as per the loss reduction trajectory by MoP, GoI and States.

Reduction in revenue gap

- Reduction in gap between Average Cost of Supply and Average Revenue Realised (ACS-ARR) to zero by 2018-19 as finalized by MoP, GoI and States.

Further, the UDAY Guidelines (Guidelines) required that an agreement be signed amongst the respective State Government, DISCOMs and MoP, GoI

1 Jaipur DISCOM, Ajmer DISCOM and Jodhpur DISCOM.

stipulating responsibilities of the State Government, DISCOMs and MoP, GoI for achieving the Financial and Operational milestones, as described under UDAY.

Rajasthan

1.3 At the time of launch of UDAY, all the three State DISCOMs of Rajasthan were reeling under severe financial stress, as shown below:

Table-1.1: Indicators of financial stress on DISCOMs

Particulars	Jaipur DISCOM	Ajmer DISCOM	Jodhpur DISCOM	Total
Revenue deficit during financial year 2014-15 (In ₹ crore)	4,735	3,593	4,146	12,474
Accumulated losses at the end of financial year 2014-15 (In ₹ crore)	27,831	26,844	26,736	81,411
Outstanding debt at the end of September 2015 (In ₹ crore)	28,056	26,597	25,877	80,530
Interest and finance cost burden during financial year 2014-15 (In ₹ per unit of energy sold)	1.62	2.09	1.71	1.62 to 2.09
National average of interest and finance cost burden (In ₹ per unit of energy sold)	0.44	0.44	0.44	0.44
Recovery of ACS through ARR	70%	70%	69%	69-70%

Source: Tripartite MoUs executed under UDAY.

The financial stress on the State DISCOMs made Rajasthan a perfect State to opt for UDAY. Each of the three State DISCOMs entered into (January 2016) a separate Memorandum of Understanding (MOU) with the MoP, GoI and GoR for implementation of UDAY in their jurisdiction.

Audit Scope and Objectives

1.4 This Performance Audit covered the implementation of UDAY in the State during 2015-16 to 2020-21. Under audit, data and records relating to financial position of the three State DISCOMs and their achievement against the major operational parameters/milestones laid down under UDAY during 2015-16 to 2020-21 were reviewed. Besides, records relating to efforts made for reduction of cost of generation of power by RRVUNL were also reviewed.

The objectives of this Performance Audit were to assess whether:

- The ultimate objective of financial turnaround of the DISCOMs was achieved as envisaged in UDAY and the conditions of MOUs were adhered to; and
- The operational efficiency targeted in UDAY was achieved with the intended outcomes.

Audit Criteria

1.5 The criteria to achieve the audit objectives were derived from:

- Office Memorandum issued (November 2015) by the MoP, GoI on

UDAY;

- The tripartite MOUs executed (January 2016) among the MoP, GoI; GoR and DISCOMs;
- The Electricity Act 2003 and Tariff Policy 2016 issued by the MoP, GoI;
- Rules, regulations, codes, standards and policy documents issued by Rajasthan Electricity Regulatory Commission and Central Electricity Authority; and
- Annual Reports, Management Information System (MIS), Manuals and Policies of the DISCOMs; Annual Reports of Power Finance Corporation, REC Limited and NITI Aayog; Sanctions of loans issued by GoR; and Agenda and Minutes of Board of Directors (BoDs) and other committees of DISCOMs.

Audit methodology and coverage

1.6 An Entry Conference was held with the Government/DISCOMs on 29 October 2021 wherein the audit objectives, scope and methodology were discussed. The field audit involved review of records at the Head Offices of the three DISCOMs as well as at the Circle Offices selected for review. For detailed scrutiny of records/data, nine out of 33 Circle Offices², nine Division Offices (23 *per cent* of the 39 Division Offices under selected Circle Offices) and all the 37 Sub-Division Offices (100 *per cent*) under the selected Division Offices were selected as shown in **Annexure-1**.

The draft Performance Audit Report was issued to the State Government, DISCOMs and RRVUNL in September 2022. After receipt of the replies (October 2022) from the Government, the audit findings and recommendations were discussed with the Government in the Exit Conference (19 January 2023). The replies given and views expressed by the State Government/ Management have been appropriately incorporated in this Report. Thereafter, the draft Report was again sent to the State Government, DISCOMs and RRVUNL on 19 January 2024 for their response/comments, however, no further reply/comments were received till 30 January 2024.

Acknowledgement

1.7 Audit acknowledges the co-operation and assistance extended by the Energy Department, DISCOMs and their officials in providing records during the conduct of audit.

² Three circle offices from each of the three State DISCOMs.

