

CHAPTER–II
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The financial turnaround under UDAY scheme envisaged taking over of 75 per cent of total debt of DISCOMs outstanding as on 30 September 2015 by the State Government by providing grant and equity. The scheme also envisaged taking over of losses of DISCOMs in a graded manner.

DISCOMs did not exclude R-APDRP loan from total outstanding debt as per MoP instructions which led to taking over of excess debt by GoUP. DISCOMs also claimed excess amount of loss funding from GoUP. They could not ensure timely realisation of additional security deposit from consumers. GoUP did not timely release subsidy amount to DISCOMs. GoUP also adjusted Government dues and additional tariff subsidy from UDAY grant against the provisions of UDAY MoU. This adversely affected the financial turnaround of DISCOMs.

Objective of financial turnaround in UDAY Scheme

2.1 The main objective of financial turnaround in UDAY Scheme was to improve financial health and efficiency of DISCOMs by taking 75 per cent DISCOMs debt as on 30 September 2015 and funding of future losses of DISCOMs in a graded manner during the implementation period (2015-16 to 2019-20) of UDAY Scheme.

Implementation of financial turnaround activities in UDAY Scheme

2.2 The MoU stipulate financial and operational efficiency parameters to be monitored for time bound improvement. The financial parameters as per UDAY Scheme are detailed below:

- Taking over 75 per cent of the debt of DISCOMs as on 30 September 2015 during 2015-16 and 2016-17 i.e. 50 per cent in 2015-16 and 25 per cent in 2016-17 (by 30 June 2016) by GoUP. (Clause no. 1.2 (a) to 1.2 (c) of MoU)
- Transfer of 50 per cent debt in first year and 25 per cent debt in second year to DISCOMs as a mix of grant, loan and equity in ratio of 50:25:25 by GoUP. In third year, conversion of 25 per cent transferred loan into grant. (Clause no. 1.2 (d) of MoU)
- Taking over of future losses of DISCOMs for the year 2016-17 to 2019-20 in a graded manner up to 2020-21 by GoUP. (Clause no. 1.2 (i) of MoU)
- Expeditious payment of all outstanding dues by the State Government Departments to DISCOMs for supply of electricity. (Clause no. 1.2 (j) of MoU)
- GoUP to guarantee repayment of principal and interest payment for the balance debt remaining with DISCOMs/bonds issued by DISCOMs. (Clause no. 1.2 (k) of MoU)
- GoUP to issue bonds itself or to guarantee the bonds issued by DISCOMs for meeting the current losses after 1 October 2015 within the limit of loss trajectory. (Clause no. 1.2 (l) of MoU)

- For the Fifty *per cent* of DISCOMs’ debt remaining with them as on 31 March 2016, DISCOMs to fully/partially issue State Government guaranteed bonds or get them converted by banks/financial institutions into loans or bonds with interest rate not more than the banks base rate plus 0.1 *per cent*. (Clause no. 1.3 (a) of MoU)

To examine the implementation of UDAY Scheme, Audit analysed the pre-UDAY financial position, targets of financial activities in UDAY Scheme & its achievements and post-UDAY financial position.

Pre-UDAY financial position with targets under UDAY and achievements

2.3 The pre-UDAY financial position of DISCOMs in terms of total outstanding debt and losses along with targets to be achieved under UDAY and achievement/shortfall there against is detailed in **Table 2.1** below:

Table 2.1: Status of Pre-UDAY financial position of DISCOMs, Targets under UDAY and Achievements

Financial Parameters	Pre-UDAY position	Targets of discharging of debt and funding of losses of DISCOMs under UDAY Scheme	Achievement	Remarks
Total outstanding debt of DISCOMs	₹ 59,205.19 crore (as on 30 September 2015) (₹ 56,388.31 crore after excluding R-APDRP loan of ₹ 2,816.88 crore as per MoP instructions ¹)	₹ 44,403.89 crore (₹ 42,291.23 crore after excluding R-APDRP loan as per MoP instructions) by GoUP	₹ 44,403.89 crore	There was excess takeover of DISCOMs’ debt by GoUP by ₹ 2,112.66 crore due to not excluding R-APDRP loan from total outstanding debt as discussed in Paragraph 2.4.1.
		₹ 14,097.08 crore by UPPCL	₹ 11,984.42 crore ²	There was shortfall of ₹ 2,112.66 crore in discharging of debt by DISCOMs as discussed in Paragraph 2.4.1.
Losses of DISCOMs	₹ 2,654.42 crore (for the year 2015-16)	₹ 4,071.52 crore ³	₹ 12,049.49 crore	There was excess claim ⁴ of loss funding amounting to ₹ 7,977.97 crore by DISCOMs from GoUP as discussed in Paragraph 2.4.3.

Audit examined the process of taking over of debt and other associated activities related to taking over of debt *i.e.*, issuance of bonds and repayment of debt *etc.* and position of DISCOMs after implementation of UDAY Scheme. Further, failure of DISCOMs in reducing the financial losses consequent to

¹ As per MoP’s OM dated 18 April 2016.

² Including FRP bonds of ₹ 615.45 crore (which were not to be converted into UDAY bonds) and payment of loan installments of ₹ 992.68 crore to banks and FIs during the period from 30 September 2015 to date of actual takeover.

³ As per Para 1.2 (i) of the MoU read with Para 8.1 of MoP’s OM dated 20 November 2015, GoUP shall take over the specified percentage of previous year’s actual losses of DISCOMs during 2017-18 to 2020-21. Accordingly, total losses to be taken over by GoUP have been calculated.

⁴ Claimed on the basis of Operational Funding Requirement (OFR) computed by UPPCL. OFR is the funding requirement derived after deducting decrease in current assets/increase in current liabilities and/or adding increase in current assets/decrease in long term liabilities from cash loss/profit and after adjusting cash support from State Government as mentioned in UDAY MoU.

implementation of UDAY Scheme were also examined. The deficiencies noticed are discussed in succeeding paragraphs.

Audit findings related to financial turnaround

2.4 Audit noticed the following deficiencies in the implementation of the financial activities under UDAY Scheme.

Excess takeover of debt by GoUP due to not excluding R-APDRP loan from total outstanding debt

2.4.1 As per Clause 1.2 of the MoU, GoUP was to take over 75 per cent of the debt of the DISCOMs as on 30 September 2015 for financial turnaround of the DISCOMs. Further, as per Clause 1.3 (a) of the MoU, the remaining 25 per cent debt was to be discharged by DISCOMs through issue of State Government guaranteed bonds or get it converted by banks/financial institutions into loans or bonds with interest rate not more than the banks base rate plus 0.1 per cent. MoP clarified vide OM dated 18 April 2016 that GoI loans under Restructured-Accelerated Power Development and Reforms Programme (R-APDRP) may not be taken over by the States or issued as DISCOM bonds. These loans may continue in the books of the DISCOMs as GoI/FI/Bank Loans and should not be retired. Thus, R-APDRP loans were kept out of ambit of UDAY Scheme.

The DISCOMs ascertained the debt amounting to ₹ 44,403.89 crore out of total outstanding debt of ₹ 59,205.19 crore as of 30 September 2015 for taking over by GoUP.

Audit noticed that even after issuance of OM (18 April 2016) by MoP, R-APDRP loan amounting to ₹ 2,816.88 crore was not excluded by DISCOMs from the outstanding debt. Due to not excluding R-APDRP loan, GoUP had to take over debt of DISCOMs in excess by ₹ 2,112.66 crore (75 per cent of ₹ 2,816.88 crore) which otherwise should have been discharged by the DISCOMs.

In reply, the Department stated that as per MoP decision vide above-mentioned OM, R-APDRP loan was not to be considered under UDAY Scheme for taking over by GoUP. Accordingly, R-APDRP loan of ₹ 2,816.88 crore was retained in the books of DISCOMs and GoUP did not take over 75 per cent of the R-APDRP loan. Thus there was no excess takeover of the debt by GoUP.

The reply is not acceptable as, although the R-APDRP loan was not taken over by GoUP, this loan was not excluded from total outstanding debt under UDAY Scheme for calculation of 75 per cent share of debt to be taken over by GoUP, thereby resulting in excess takeover of DISCOMs' debt by GoUP.

Adjustment of Government dues and tariff subsidy from UDAY grant against the provisions of MoU

2.4.2 As mentioned in **Table 2.1** above, GoUP was to take over 75 per cent of the debt of DISCOMs outstanding as on 30 September 2015 by the financial year 2016-17 (up to 30 June 2016) as per provisions of MoU.

Due to not excluding R-APDRP loan from total outstanding loan as per MoP instructions, GoUP had to take over debt of DISCOMs in excess by ₹ 2,112.66 crore.

The details of debt taken over by GoUP and equity and grant released there against are given below:

Particulars	Amount (₹ in crore)
Debt actually taken over	44,403.89
Equity released against debt taken over	15,053.57
Grant released against taken over debt	29,350.32

Against the provisions of MoU, GoUP adjusted electricity dues of ₹ 4,268.86 crore and tariff subsidy of ₹ 25,081.46 crore from the UDAY grant given against the debt taken over by it.

Audit observed that GoUP, subsequently ordered (March 2021) that against released grant of ₹ 29,350.32 crore, dues of Government Department’s electricity bills of ₹ 4,268.86 crore and additional tariff subsidy of ₹ 25,081.46 crore⁵ payable by GoUP up to 2019-20, will deemed to be paid.

Audit noticed that adjustment of electricity dues and additional tariff subsidy from the grant was against the provisions of MoU as the grant was given to DISCOMs towards taking over of their debt by GoUP. This adversely affected the financial turnaround of the State DISCOMs as DISCOMs were deprived of the funds to be received from GoUP on accounts of outstanding dues of Government Department’s electricity bills and subsidy.

In reply, the Department stated that the adjustment of Government dues and tariff subsidy payable against the loan taken over by the State Government under the UDAY scheme was on the basis that had this subsidy been accepted and paid earlier by GoUP, DISCOMs would not have borrowed the additional working capital loans which were eventually taken over by GoUP under the UDAY Scheme.

The reply is not acceptable as the adjustment of Government dues and tariff subsidy from UDAY grant was against the provisions of MoU and had adversely affected financial turnaround of DISCOMs under UDAY scheme.

Excess claim against losses from GoUP

2.4.3 Para 1.2 (i) of the MoU, GoUP shall take over the future losses of the DISCOMs in a graded manner and shall fund the losses as follows:

Year	2017-18	2018-19	2019-20	2020-21
Previous year’s DISCOM loss to be taken over by State	5 per cent of the loss of 2016-17	10 per cent of the loss of 2017-18	25 per cent of the loss of 2018-19	50 per cent of the loss of 2019-20

Further, Para 8.1 of MoP’s Office Memorandum dated 20 November 2015 on UDAY Scheme also provided that ‘the previous year’s actual losses will be used for calculation for each year instead of using current year’s estimated losses.

Audit noticed that UPPCL on behalf of DISCOMs had claimed loss funding from GoUP on the basis of operational funding requirement (OFR) instead of claiming on actual losses and the same was also reimbursed by GoUP. The details of loss funding to be claimed on the basis of actual losses and losses taken over by GoUP on the basis of OFR is given in **Table 2.2** below:

⁵ Out of claimed tariff subsidy of ₹ 39,743.00 crore by DISCOMs from GoUP pertaining to period 2007-08 to 2019-20.

Table 2.2: Details of loss funding to be claimed and losses taken over by GoUP on the basis of OFR

(₹ in crore)

Year	Percentage of loss to be taken over as per MoU	Actual losses of DISCOMs	Loss to be taken over by GoUP	OFR worked out by DISCOMs	Loss actually taken over by GoUP based on OFR	Excess losses taken over by GoUP
2016-17	Nil	3,182.05	Nil	13,376.43	Nil	0
2017-18	5 per cent of the loss of 2016-17	5,083.30	159.10	14,171.24	668.81	509.71
2018-19	10 per cent of the loss of 2017-18	6,031.89	508.33	16,834.74	1,417.21	908.88
2019-20	25 per cent of the loss of 2018-19	3,792.24	1,507.97	11,510.00	3,685.00	2,177.03
2020-21	50 per cent of the loss of 2019-20		1,896.12		6,278.47 ⁶	4,382.35
Total			4,071.52		12,049.49	7,977.97

Source: Information provided by UPPCL

UPPCL claimed loss funding on the basis of operational funding requirement instead of actual losses which resulted into excess takeover of loss of ₹ 7,977.97 crore of DISCOMs by GoUP.

Thus, it may be seen from the above table that UPPCL had claimed loss funding from GoUP in contravention of the provisions of the Para 1.2 (i) of MoU, resulting in excess takeover of losses by GoUP to the tune of ₹ 7,977.97 crore.

The Department replied that the claim against the loss subsidy support from GoUP was made on the gross operational funding requirement (OFR) which was envisaged in the MoU and computed on the basis of audited accounts.

The reply is not acceptable as clause 1.2 (i) of MoU stated that GoUP shall take over 'future losses' of DISCOMs in a graded manner. Further, Para 8.1 of the UDAY Scheme OM clearly stated that 'the previous year's actual losses' will be used for calculation of loss funding for each year.

Issue of bonds in excess of loss trajectory

2.4.4 Para 1.2 (m) of the MoU provided that current losses after 1 October 2015, if any, shall be financed only upto the extent of loss trajectory and such financing will be done through issue of bonds by State or bonds issued by DISCOMs backed by State Government Guarantee. The year-wise projected loss as per MoU was as under:

(₹ in crore)

Particular	2015-16	2016-17	2017-18	2018-19	2019-20
Projected Loss (-)/Net Income as per MoU	(-) 7,724	(-) 5,012	(-) 2,621	568	3,647

The details of bonds issued by UPPCL in respect of loss funding are given in **Table 2.3** below:

⁶ This includes ₹ 523.47 crore for the year 2019-20 and ₹ 5,755.00 crore for the year 2020-21. The amount was deferred by GoUP for release over a period of 10 years.

Table 2.3: Details of bonds issued by UPPCL

(₹ in crore)				
Year	Bonds to be issued as per Loss trajectory in the MOU	Bonds actually issued by UPPCL	Rate of Interest (in percentage)	Excess bonds issued
2015-16 (Oct. 15-Mar. 16)	3,862	9,999.50	8.48 and 8.97	1,125.50
2016-17	5,012			
2017-18	2,621	9,989.20	9.75 and 10.15	7,368.20
Total	11,495	19,988.70		8,493.70

Source: Information provided by UPPCL

It can be seen from above table that UPPCL had issued excess bonds of ₹ 8,493.70 crore at interest rate ranging between 8.48 *per cent* and 10.15 *per cent* in contravention to the MoU provision. Due to excess issue of bonds, UPPCL had to bear interest burden of ₹ 3,505.20 crore⁷ up to October 2022 which has adverse impact for the financial turnaround of DISCOMs under UDAY scheme. Further, GoUP had to provide excess guarantee to the extent of bonds issued by DISCOMs in excess of loss trajectory under UDAY Scheme.

In reply, the Department stated that as per MoU, the funding of losses was against the gross operational funding requirement which was envisaged in the MoU.

The reply is not acceptable as bonds were to be issued only to the extent of loss trajectory as stipulated in the MoU.

Taking over of FRP bonds at higher interest rates by DISCOMs

2.4.5 Clause 1.3 (a) of MoU stipulated that for the 50 *per cent* of debt remaining as on 31 March 2016, the DISCOMs would fully/partially issue State Government guaranteed bonds or get them converted by banks/FIs into loans or bonds with interest not more than the bank base rate plus 0.1 *per cent*. DISCOMs and the Government of UP would ensure timely payment of lender’s dues towards principal/interest for the balance debt remaining with DISCOMs.

Audit observed that FRP bonds amounting to ₹ 299.49 crore were taken over and issued as UDAY bonds on 30 March 2017 for a period of 15 years.

Audit further observed that above UDAY bonds were issued at the rate of 9.70 *per cent* per annum by DISCOMs whereas prevailing bank base rate at the time of issue plus 0.1 *per cent* was 9.45 *per cent*. This was against the provision of MoU which clearly provided that bonds were to be issued with interest not more than the bank base rate plus 0.1 *per cent*. Resultantly, DISCOMs had to bear additional interest burden of ₹ 3.97 crore up to October 2022 and likely to bear further additional interest of ₹ 2.97 crore till redemption of bonds in March 2032, which could have been saved.

The Department replied that loans were issued to the existing lenders at the MoU based pre-decided rate of Bank BR + 0.1 *per cent* i.e. 9.70 *per cent*.

⁷ Proportionate interest on the excess bonds of ₹ 8,493.70 crore issued.

The reply is not acceptable as bonds were to be issued at the prevailing bank base rate plus 0.1 per cent as per above mentioned provision of MoU which was not done.

Avoidable interest burden due to retention of excess funds in Debt Service Reserve Account

2.4.6 UPPCL issued Government guaranteed bonds of ₹ 19,988.70 crore in four tranches during 2016-17 and 2017-18 for loss funding as detailed in **Table 2.4** below:

Table 2.4: Details related to bonds issued by UPPCL

(₹ in crore)					
Sl. No.	Particulars of bond	Debenture Trustee	Account Bank	Account Number	Bond Amount
1.	8.97 per cent Rated listed bond (17.03.17)	Vistra ITCL (India) Limited	HDFC Bank	50200004167832	6,510.00
2.	8.48 per cent Rated listed bond (27.03.17)			50200017358986	3,489.50
3.	9.75 per cent Rated listed bond (05.12.17)	Beacon Trusteeship Ltd.	ICICI Bank	628105501280	4,498.20
4.	10.15 per cent Rated listed bond (27.03.18)			628105501283	5,491.00
Total					19,988.70

Source: Information provided by UPPCL

As per clause⁸ of agreement of bonds mentioned at Sl. No. 1 and 2 of **Table 2.4** above, amount equivalent to the total debt servicing obligation (principal and interest) towards the outstanding bonds becoming due on the next due date needs to be maintained by the issuer in the Debt Service Reserve Accounts (DSRA) on rolling basis. Similarly, clause⁹ of agreement of bonds mentioned at serial number 3 and 4 of **Table 2.4** provided to maintain the balance of the fund equal to debt servicing obligation (principal and interest) due in next two quarters in the DSRA on rolling basis.

As per the clauses mentioned above, UPPCL was required to efficiently manage DSRA accounts keeping funds equivalent to required debt service obligation. Audit, however noticed that UPPCL retained excess fund in DSRA accounts than the fund actually required to be retained for debt servicing. The excess retention amount was ranging from ₹ 17.33 crore to ₹ 365.28 crore at the end of every financial year during 2016-17 to 2022-23 (October 2022) as detailed in **Table 2.5** below:

⁸ Clause 1 of escrow account agreement and Clause 2.11 of agreement of bonds valuing ₹ 6,510 crore and Clause 2.13 of agreement of bonds valuing ₹ 3,489.50 crore mentioned at Sl. No. 1 and 2 of Table 2.4.

⁹ Clause 1 of escrow account agreement and Clause 2.14.3 of agreement of bonds valuing ₹ 4,498.20 crore and Clause 2.14.3 of agreement of bonds valuing ₹ 5,491 crore mentioned at Sl. No. 3 and 4 of Table 2.4.

Table 2.5: Statement showing excess deposit in DSRA than requirement

Year	Funds in DSRA accounts at the year end	Funds required to be retained as per the agreement	Excess Funds retained in DSRA accounts (including FDR and investment)
2016-17	224.44	204.04	20.40
2017-18	728.24	362.96	365.28
2018-19	1,024.80	839.21	185.59
2019-20	1,678.93	1,602.91	76.02
2020-21	1,548.98	1,512.00	36.98
2021-22	1,438.68	1,421.34	17.33
2022-23	1,388.93	1,362.55	26.38

Source: Based on information provided by UPPCL

Thus, due to excess retention of funds in DSRA accounts, UPPCL could not utilise these funds and had taken loans at higher rate for meeting its working requirements which could have been avoided had the excess funds kept in DSRA accounts been utilised. This has resulted in interest burden to the tune of ₹ 18.71 crore¹⁰ up to October 2022 on UPPCL.

The Department replied that UPPCL has maintained the required amount in DSRA through investment in FDRs and AAA rated securities.

The reply is not acceptable as funds were required to be maintained in the DSRA account only to the extent of amount required for payment equal to one quarter for tranche 1 and 2 and two quarters for tranche 3 and 4.

Other issues that affect financial turnaround

2.5 Audit analysed other issues which were not part of tripartite MoU but affects financial turnaround of DISCOMs and noticed the following deficiencies:

Short release of outstanding subsidy by GoUP

2.5.1 Section 65 of the Electricity Act, 2003 provided that if the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission, the State Government shall pay in advance the amount to compensate the person affected by the grant of subsidy.

Audit observed that subsidy scheme viz. tariff subsidy and subsidy for power loom connections were operated by GoUP during implementation period of the Scheme. Against above schemes, the subsidy was required to be released to the DISCOMs by GoUP. Audit analysed the status of subsidy claimed, received and balance subsidy in respect of above schemes during the period 2015-16 to 2022-23 (up to October 2022) for all the DISCOMs as detailed in Table 2.6 below:

¹⁰ Calculated at the interest rate of 8.25 to 11.32 per cent (annual weighted average interest rate of working capital loan obtained by UPPCL) minus interest earned on fixed deposits/investments of funds kept in DSRA at the interest rate of 5.10 per cent to 7.25 per cent (prevailing interest rates on one year term FD during 2016-17 to 2022-23).

Table 2.6: Position of outstanding subsidy from GoUP

(₹ in crore)					
Year	Opening balance	Subsidy claimed during the year	Total subsidy due	Total subsidy received during the year	Arrear of subsidy
1	2	3	4 = 2 + 3	5	6 = 4 - 5
2015-16	20,970.30	10,263.04	31,233.34	5,590.00	25,643.34
2016-17	25,643.34	13,443.66	39,087.00	5,981.87	33,105.13
2017-18	33,105.13	13,643.08	46,748.21	6,099.83	40,648.38
2018-19	40,648.38	11,154.98	51,803.36	10,261.62	41,541.74
2019-20	41,541.74	11,198.15	52,739.89	10,270.00	42,469.89
2020-21	42,469.89	9,197.87	51,667.76	47,200.18 ¹¹	4,467.58
2021-22	4,467.58	14,261.78	18,729.36	14,765.66	3,963.70
2022-23 (up to Oct. 2022)	3,963.70	8,130.40	12,094.10	7,787.50	4,306.60

Source: Information provided by UPPCL

There was short release of subsidy amount to DISCOMs by GoUP during 2015-16 to 2022-23.

It can be seen from above that full claim of subsidy was not released by GoUP during 2015-16 to 2022-23 (up to October 2022). By the end of the Scheme implementation period and onwards up to October 2022, subsidy claims amounting to ₹ 4,306.60 crore were pending for release from GoUP impacting the revenue deficit of DISCOMs and putting additional burden on them. Moreover, UDAY grant of ₹ 25,081.46 crore was adjusted towards payment of subsidy in the year 2020-21 as discussed in **Paragraph 2.4.2**. Due to short receipt of subsidy, the DISCOMs were deprived of working capital funds to that extent.

The Department replied that the additional tariff subsidy computed by UPERC was not shown in the books of accounts of DISCOMs as the same was never admitted by GoUP. Subsequent to notification of Liquidity Infusion Scheme¹², GoUP accepted such additional subsidy and adjusted the same from released grants under the UDAY scheme.

The reply is not acceptable as adjustment of additional subsidy from released grant under UDAY was against the provisions of UDAY MoU.

Deferment of tariff subsidy resulted in avoidable interest burden on DISCOMs

2.5.2 As mentioned in **Paragraph 2.5.1** above, the subsidy was required to be paid in advance by GoUP. However, Audit noticed that GoUP deferred (July 2020) outstanding tariff subsidy of ₹ 14,661.54 crore pertaining to period 2007-08 to 2019-20 for release in installments over a period of 10 years. Further, GoUP directed (July 2020) that for availability of funds for maintaining power supply by DISCOMs during COVID-19 lockdown period, UPPCL would take loan of ₹ 20,940 crore¹³ from REC and PFC. Accordingly, UPPCL borrowed this amount from REC and PFC.

¹¹ This includes ₹ 25,081.46 crore adjusted from UDAY grant and ₹ 14,661.54 crore deferred by GoUP for payment over a period of 10 years.

¹² Liquidity Infusion Scheme was a scheme announced by GoI as a part of Aatmanirbhar Bharat Abhiyan under which REC and PFC extend special long term loans upto 10 years to DISCOMs.

¹³ Equivalent to outstanding tariff subsidy of ₹ 14661.53 crore plus pending loss funding under UDAY scheme of ₹ 6,278.47 crore.

Thus, availing of loan by UPPCL in lieu of subsidy resulted in avoidable interest burden of ₹ 2,426.61 crore¹⁴ on DISCOMs up to October 2022.

The Department replied that the State Government agreed to release the claim of DISCOMs under liquidity infusion scheme in 10 years. The DISCOMs also requested the State Government to provide support for funding of interest, however the State Government did not agree on the same. Further, the additional interest burden on the subsidy value will be largely funded on the methodology of UDAY/GSDP/RDSS scheme in the respective financial years.

The reply is self-explanatory as burden of interest remains with DISCOMs which would adversely impact their financial position.

Recommendation 1:

GoUP may timely release subsidy to DISCOMs to reduce their dependence on borrowed funds.

Failure in realisation of additional security deposit

2.5.3 Clause 4.20 of the Electricity Supply Code, 2005 provided that the licensee may give notice to any consumer for deposit of additional security deposit if the security deposit falls short of covering the estimated power consumption bill for 2 months (later revised to 45 days from July 2019) based on his average monthly consumption for the preceding financial year. Further Clause 4.20 (f) provided that the consumer shall deposit the additional security within 30 days after the service of the notice. If a person fails to deposit such security, the licensee may discontinue supply of electricity for period during which failure continues.

Audit noticed that DISCOMs failed to realise the amount of required additional security deposit of ₹ 2,873.54 crore¹⁵ from 9,219 Large and Heavy Consumers during 2022-23 to secure the interest of DISCOMs. Due to failure in realising the additional security deposit from the consumers, DISCOMs were deprived of funds to that extent.

The Department stated in its reply that additional security deposit of ₹ 77.79 crore has been recovered till June 2022 and efforts are being made to recover the remaining amount at the earliest.

The reply is not acceptable as only ₹ 77.79 crore has been recovered against due additional security deposit amount of ₹ 2,873.54 crore.

Recommendation 2:

DISCOMs should ensure timely realisation of the additional security deposit from consumers to reduce their dependence on borrowed funds for working capital requirements.

Conclusion

DISCOMs did not exclude R-APDRP loan from total outstanding debt as per MoP instructions which led to taking over of excess debt of ₹ 2,112.66 crore by GoUP. DISCOMs also claimed excess amount of loss funding from GoUP to the tune of ₹ 7,977.97 crore. DISCOMs had to bear

¹⁴ Total interest amount paid by UPPCL: ₹ 3,465.75 crore (on loan amounting to ₹ 20,940.00 crore) x ₹ 14,661.54 crore / ₹ 20,940.00 crore.

¹⁵ Calculated by Audit on the basis of difference between average consumption bill of 45 days of large and heavy consumers and their security deposit existing as of March 2022.

avoidable interest burden on availing of loan due to deferment of release of loss funding and tariff subsidy by GoUP. Further, GoUP adjusted electricity dues of ₹ 4,268.86 crore and tariff subsidy of ₹ 25,081.46 crore from the UDAY grant released against the debt taken over by it.

There was short release of subsidy amount to DISCOMs by GoUP. DISCOMs also could not ensure timely realisation of additional security deposit from consumers thereby leading to dependence on borrowed funds.

As a result, the objective of financial turnaround envisaged in the UDAY Scheme could not be achieved.