

PART - II

CHAPTER IV

COMPLIANCE AUDIT OF STATE PUBLIC SECTOR UNDERTAKINGS

4.1 Introduction

4.1.1 General

State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and they occupy an important place in the economy of the State. As on 31 March 2022, there were 100 State PSUs in Gujarat which included 64 Government Companies (including 12 inactive companies¹), four Statutory Corporations² and 32 Government Controlled other Companies (including four inactive companies) (Appendix XII) under the audit jurisdiction of the Comptroller and Auditor General of India (CAG).

4.1.2 Audit universe and coverage

Out of 100 State PSUs as on 31 March 2022, the audit of 38 State PSUs is entrusted to the office of the Principal Accountant General, Audit-I, Gujarat, Rajkot whereas the audit of the remaining 62 State PSUs is entrusted to the office of the Principal Accountant General Audit-II, Gujarat, Ahmedabad. In addition to financial attest audit of 215 financial statements of the State PSUs whose accounts had been received, 34 units of state PSUs were selected for compliance audit during the period 2019-20 to 2021-22.

4.1.3 Compliance Audit

One Compliance Audit paragraph relating to *Ujwal DISCOM Assurance Yojana* was issued to the SPSUs and the Department concerned of the Government of Gujarat in October 2021 with the request to furnish replies. The reply of the Government and SPSUs have been suitably incorporated in the report.

4.1.4 Follow-up action on Audit Reports

The Report of the CAG is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. All the administrative departments of SPSUs need to submit within three months after their presentation to the Legislature, the Explanatory Notes indicating the corrective/ remedial action taken or proposed to be taken on paragraphs and Performance Audits (PAs) included in the Audit Reports of the CAG.

¹ Inactive State PSUs are those which have ceased to carry out their operations.

² Gujarat Industrial Development Corporation, Gujarat State Financial Corporation, Gujarat State Road Transport Corporation and Gujarat State Warehousing Corporation.

Table 4.1: Position of Explanatory Notes on Audit Report related to State PSUs as on 31 March 2024

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total number of PAs and Paragraphs related to State PSUs in the Audit Report		Number of PAs and Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	31 March 2015	3	9	1	0

Source: Compiled based on explanatory notes received from respective Departments of GoG.

Explanatory Note for one Performance Audit paragraph was pending from one Department³ as on 31 March 2024. The Explanatory Notes in respect of Audit paragraphs contained in the Audit Reports for the years 2014-15 to 2018-19 have already been received.

4.1.4.1 Discussion of Audit Reports by the COPU

The status of discussion of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) by the Committee on Public Undertakings (COPU) as on 31 March 2024 was as under:

Table 4.2: Performance Audits/ Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 31 March 2024

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2013-14	3	9	2	6
2016-17	1	10	1	5
2017-18	1	-	-	-
2018-19	1	2	-	-

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) up to 2012-13 and Audit Reports for the year 2014-15 and 2015-16 has been completed.

³ Health & Family Welfare Department.

4.1.4.2 Compliance with reports of COPU

Action Taken Notes (ATN) on the recommendations made by COPU that are included in the reports presented to the State Legislature on September 2022 had not been received (31 March 2024) from the Departments/ SPSUs concerned as indicated below:

Table 4.3: Compliance with COPU Reports

Report of COPU	Total Number of recommendations in COPU report	Number of recommendations for which ATNs not received
19 th Report of 14 th Assembly	10	8
Total	10	8

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoG.

The Report of COPU for which ATN was not received contained recommendations in respect of the paragraph which appeared in the Report of the CAG of India for the year 2015-16.

Compliance Audit Observations

Energy and Petrochemicals Department

4.2 Ujwal DISCOM Assurance Yojana

Ministry of Power (MoP), Government of India (GoI) launched Ujwal DISCOM Assurance Yojana (UDAY) on 20 November 2015 with the aim to improve the health of the State owned Power Distribution Companies (DISCOMs). A tripartite Memorandum of Understanding (MoU) was entered (February 2016) amongst MoP (GoI), Government of Gujarat (GoG) and GUVNL (on behalf of Gujarat DISCOMs). As all the four DISCOMs are profit-making and financially sound, the DISCOMs participated in UDAY to further improve the operational and financial efficiency to enable sustainable operations of the DISCOMs. The State DISCOMs did not avail any financial assistance for implementation of UDAY.

Audit noticed that during 2015-23, DGVCL could achieve the AT&C loss targets during 2020-21, 2021-22 and 2022-23, PGVCL could achieve the target in 2016-17, 2020-21, 2021-22 and 2022-23, whereas UGVCL achieved the target in all the years except 2015-16 and 2018-19. MGVCL achieved the targets in all years during 2015-16 to 2022-23. No action was taken by DISCOMs, except UGVCL, to install smart meters. The State DISCOMs achieved most of the operational targets post completion of UDAY. Though the identified targets for operational parameters were met with some delays, these helped the DISCOMs to improve their operational efficiency.

4.2.1 Introduction

The Ministry of Power (MoP), Government of India (GoI) launched Ujwal DISCOM Assurance Yojana (UDAY) on 20 November 2015 with the aim to

improve the health of the State-owned Power Distribution Companies (DISCOMs). The objectives of UDAY were (i) financial turnaround of the DISCOMs; (ii) improving operational efficiency of the DISCOMs; (iii) reduction of cost of generation of power; (iv) development of renewable energy; and (v) energy efficiency and conservation. In Gujarat, there are four State owned DISCOMs, viz. Dakshin Gujarat Vij Company Limited (DGVCL), Madhya Gujarat Vij Company Limited (MGVCL), Paschim Gujarat Vij Company Limited (PGVCL) and Uttar Gujarat Vij Company Limited (UGVCL), all of which are the subsidiaries of Gujarat Urja Vikas Nigam Limited (GUVNL). A tripartite Memorandum of Understanding (MoU) was entered (February 2016) amongst MoP (GoI), Government of Gujarat (GoG) and GUVNL⁴ (on behalf of Gujarat DISCOMs). As all the four DISCOMs are profit-making and financially sound, the DISCOMs participated in UDAY to further improve the operational and financial efficiency to enable sustainable operations of the DISCOMs. Hence, the State DISCOMs did not participate in the component of financial turnaround, financing of future losses and working capital part of UDAY, and therefore, did not avail any financial assistance for implementation of UDAY.

In terms of the MoU, the State DISCOMs were to undertake various measures, such as reduction of Aggregate Technical and Commercial (AT&C) losses from 14.64 per cent in 2014-15 to 13.00 per cent by 2018-19 as per the varying trajectory for the respective DISCOMs; eliminate gap between Average Cost of Supply (ACS) and Average Realisable Revenue (ARR) by 2018-19; achieve operational milestones as specified in DDUGJY⁵ and IPDS⁶; undertake demand side management, ensure Energy Efficiency, undertake judicious Tariff measures, employee engagement, Customer Service Strategy, etc. The GoG, on its part, was to ensure payment of all outstanding dues from the State Government Departments to DISCOMs and assist in achievement of all operational targets by DISCOMs. Accordingly, the Division-wise targets under each DISCOM and the consolidated targets for each DISCOM for loss reduction were incorporated in the MoU. GUVNL prepared (May 2016) an Action Plan for DISCOMs to achieve targets envisaged under UDAY.

The target and achievement of major operational parameters are given in the Table 4.4 below:

Table 4.4: Targets vis-à-vis Achievement of Operational Parameters as envisaged in the MoU

Sl. No.	Parameter	Target	Achievement (as on March 2023)
1	Reduction in Aggregate Technical and Commercial losses	13.00 per cent by 2018-19	13.55 per cent by 2018-19 8.27 per cent by 2022-23
2	Eliminate the gap between ACS and ARR by FY 2018-19 (in ₹ per unit)	(-) 0.06 2018-19	(-) 0.02 2018-19 (-) 0.01

⁴ GUVNL is the holding Company of the four State owned DISCOMs.

⁵ Deen Dayal Upadhyay Gram Jyoti Yojana.

⁶ Integrated Power Distribution Scheme.

Sl. No.	Parameter	Target	Achievement (as on March 2023)
			2022-23
3	Distribution Transformer metering	100 per cent by June 2017	100 per cent (2020-21)
4	Feeder metering	100 per cent by June 2016	100 per cent (2019-20)
5	Energy audit up to 11 KV level in rural areas	To undertake	Undertaken
6	Feeder Improvement Programme for network strengthening and optimisation	March 2017	2018-19
7	Physical Feeder Segregation	March 2018	2020-21
8	Installation of Smart Meters for all consumers other than agricultural consumers: Consumers consuming above 500 units/month (in nos.) Consumers consuming above 200 units/month and up to 500 units/ month (in nos.)	Target for all four DISCOMs 2.48 lakh December 2017 6.33 lakh December 2019	2,715 (UGVCL) 23,233 (UGVCL) No new smart meters installed after 2018-19 under the scheme.
9	Providing LED for domestic and other category consumers under DELP programme through EESL (nos. in crore)	2.02	3.88
10	Tariff revision to offset fuel price increase	Quarterly	Revised quarterly (Note 1)

Source: MoU between MoP, GoG and GUVNL, information provided by DISCOMs/ GUVNL and UDAY Dashboard.

Note 1: - As approved by Gujarat Electricity Regulatory Commission.

The DISCOM-wise targets and achievements are detailed in **Appendix XIII**. The State DISCOMs were able to achieve the targets set for reduction in AT&C losses, Distribution Transformer metering, Feeder metering, Feeder Improvement Programme, and Physical Feeder Segregation, though with some delays. The DISCOMs individually achieved their respective targets at different points of time. The targets for undertaking energy audit, providing LED and quarterly revision of tariff to offset fuel price increase were achieved. However, the State DISCOMs did not achieve target for installation of smart meters for all consumers other than agricultural consumers. Further, GoG could not ensure payment of outstanding dues of State Government Departments to the DISCOMs by 31 March 2016. On the contrary, the outstanding dues have increased from ₹ 228.55 crore as on 31 March 2016 to ₹ 425.23 crore as on 31 March 2023.

4.2.2 Review of the achievement of operational parameters

Audit reviewed the achievement of the operational parameters and the shortcomings in its implementation are discussed in the succeeding paragraphs.

4.2.2.1 Aggregate Technical and Commercial Losses

As per the MoU, one of the operational parameters was to reduce Aggregate Technical and Commercial (AT&C) losses⁷ from 14.64 per cent in 2014-15 to 13 per cent by 2018-19 by the State DISCOMs.

The consolidated target and actual AT&C loss of the State DISCOMs during the period from 2015-16 to 2022-23⁸ is given in **Chart 4.1**:

Chart 4.1: Consolidated AT&C losses of state DISCOMs (in per cent)



Source: Data provided by State DISCOMs

From the above, it can be seen that the State DISCOMs achieved the target of reduction of AT&C losses to 13 per cent by 2019-20 which further reduced to 8.27 per cent during 2022-23. Though the State DISCOMs did not achieve year-wise targets in the intermittent three years, the overall AT&C losses reduced from 15.33 per cent (Pre-UDAY) to 8.27 per cent (Post-UDAY).

⁷ AT&C loss figure is derived from two factors viz. (i) distribution loss i.e. differences between input units and billed units and (ii) collection efficiency i.e., amount collected during the year as against amount billed during the year.

⁸ The consolidated targets of all the DISCOMs were provided in the MoU for 2015-16 to 2018-19. Though there was no such consolidated target provided for 2019-20 but the DISCOM-wise cum division-wise targets were provided for the year 2019-20 in the Annexure to the MoU. Further, GUVNL had intimated (March 2020) Energy and Petrochemicals Department (EPD) about annual targets of all the four DISCOMs for the period from 2019-20 to 2022-23. Audit considered targets for the years 2020-21 to 2022-23 as intimated to EPD in March 2020.

The DISCOM-wise details of targets fixed and actual achievement of AT&C losses for the period from 2015-16 to 2022-23 is given in **Table 4.5**:

Table 4.5: Target and Actual AT&C losses of state DISCOMs

(Figures in per cent)

Year	Target			Actual		
	Distribution Loss	Collection efficiency	AT&C Loss	Distribution Loss	Collection efficiency	AT&C Loss
DGVCL						
2015-16	9.29	100.00	9.29	9.07	96.90	11.89
2016-17	9.24	100.00	9.24	8.27	95.79	12.14
2017-18	9.19	100.00	9.19	7.63	96.09	11.24
2018-19	9.15	100.00	9.15	7.36	96.62	10.49
2019-20	9.10	100.00	9.10	6.52	92.24	13.77
2020-21	7.60	100.00	7.60	8.79	104.99	4.24
2021-22	7.45	100.00	7.45	3.00	100.56	2.46
2022-23	7.30	100.00	7.30	1.68	100.05	1.63
MGVCL						
2015-16	16.00	100.00	16.00	11.68	101.37	10.47
2016-17	15.50	100.00	15.50	10.08	100.82	9.34
2017-18	15.00	100.00	15.00	9.60	100.05	9.56
2018-19	14.50	100.00	14.50	9.12	100.03	9.09
2019-20	14.00	100.00	14.00	8.34	98.46	9.75
2020-21	10.50	100.00	10.50	9.96	100.69	9.33
2021-22	10.25	100.00	10.25	8.52	100.22	8.32
2022-23	10.00	100.00	10.00	7.96	100.01	7.95
PGVCL						
2015-16	22.00	100.00	22.00	22.58	100.45	22.24
2016-17	19.66	100.00	19.66	19.06	100.07	19.00
2017-18	17.33	100.00	17.33	17.89	99.47	18.32
2018-19	15.00	100.00	15.00	18.95	99.83	19.08
2019-20	14.80	100.00	14.80	14.71	97.45	16.88
2020-21	18.50	100.00	18.50	16.61	100.38	16.29
2021-22	17.50	100.00	17.50	15.08	100.01	15.07
2022-23	16.50	100.00	16.50	15.89	100.46	15.51
UGVCL						
2015-16	9.82	100.00	9.82	11.04	100.75	10.37
2016-17	9.77	100.00	9.77	8.18	100.35	7.85
2017-18	9.72	100.00	9.72	7.76	100.88	6.95
2018-19	9.67	100.00	9.67	10.03	100.28	9.78
2019-20	9.63	100.00	9.63	4.65	99.21	5.41
2020-21	10.40	100.00	10.40	6.35	101.64	4.81
2021-22	10.05	100.00	10.05	5.16	100.30	4.87
2022-23	9.75	100.00	9.75	5.23	100.24	4.99

Source: Information furnished by the DISCOMs.

Note: Targets upto 2019-20 provided in the MoU, targets from 2020-21 intimated by GUVNL to EPD.

Dakshin Gujarat Vij Company Limited (DGVCL)

It can be seen that during 2015-16 to 2022-23, though DGVCL did not achieve the AT&C loss targets fixed for it in the initial years, later the same were achieved between 2020-21 and 2022-23. Further, DGVCL achieved the targets of distribution losses for the period 2015-23 (except in 2020-21) but could not achieve collection efficiency targets till 2019-20 largely due to lower collection efficiency of Piprod Division.

DGVCL stated (July 2024) that the collection efficiency of Piplod Division was abnormally low due to increase in disputed outstanding amount of one HT consumer from 2014-15 to 2020-21.

Paschim Gujarat Vij Company Limited (PGVCL)

During 2015-16 to 2022-23, PGVCL achieved the AT&C loss targets only in the years 2016-17, 2020-21, 2021-22 and 2022-23. In 2015-16, though the Company achieved collection efficiency target, it could not achieve the target of distribution loss. In 2017-18 and 2018-19, the Company did not achieve any of the targets of distribution loss and collection efficiency. In 2019-20, the Company achieved distribution loss target but failed to achieve collection efficiency target.

PGVCL stated (February 2022 and July 2024) that agriculture sector consumes 30 to 35 *per cent* of total electricity consumption which depends on various aspects, like rainfall, crop pattern, non-availability of underground water and surface irrigation. Further, the consumption in agriculture sector varies according to the quantum and frequency of rain across various parts of Kutch and Saurashtra area over a period of time. In a good monsoon season, consumption in agriculture sector reduces and *vice-versa*. PGVCL also stated that it was not able to carry out any system improvement measures, vigilance activity and installation checking due to resistance by the people in certain areas.

Uttar Gujarat Vij Company Limited (UGVCL)

During 2015-16 to 2022-23, UGVCL achieved AT&C loss targets in all the years except in 2015-16 and 2018-19. UGVCL could not achieve the AT&C loss targets in those years due to non-achievement of the targets for distribution losses. In 2019-20, UGVCL did not achieve the targets for collection efficiency but achieved the targets for distribution losses, thereby the Company achieved the overall targets of AT&C losses. UGVCL attributed non-achievement of distribution loss targets to unmetered agriculture connections.

UGVCL stated (July 2024) that during 2015-16 and 2018-19, billing efficiency was poor due to poor monsoon season and hence, target of AT&C losses was not achieved though collection efficiency was 100 *per cent*. In support of this, the UGVCL provided details of distribution loss from unmetered agriculture connections. UGVCL further stated that if actual consumption is considered, then UGVCL might achieve the target.

MGVCL achieved the AT&C loss targets in all years during 2015-16 to 2022-23.

4.2.2.2 Gap between Average Cost of Supply and Average Realisable Revenue

The MoU incorporated projected consolidated Average Cost of Supply (ACS) per unit and Average Realisable Revenue (ARR) per unit for the State DISCOMs from 2015-16 to 2018-19. The consolidated target and actual gap between ACS and ARR per unit are given in **Table 4.6** below:

Table 4.6: Gap between ACS and ARR of State DISCOMs during 2015-16 to 2022-23

(Figures in ₹ per unit)

Year	Target	Actual
2015-16	(-) 0.03	(-) 0.02
2016-17	(-) 0.04	(-) 0.03
2017-18	(-) 0.04	(-) 0.05
2018-19	(-) 0.06	(-) 0.02
2019-20	Target not fixed under UDAY	(-) 0.06
2020-21		(-) 0.05
2021-22		(-) 0.03
2022-23		(-) 0.01

Source: Data provided by GUVNL.

Note: - Negative figure reflects profitability in the operations of the DISCOMs.

The above **Table 4.6** shows that the targeted consolidated gap between ACS and ARR per unit fixed in the MoU was not achieved in any of the years except 2017-18. However, the target for 2018-19 envisaged in MoU was achieved with delay in 2019-20. Further, the gap between ACS and ARR per unit has decreased to ₹ (-) 0.01 in 2022-23. Thus, the State DISCOMs were not able to achieve the targeted profitability as envisaged in the MoU, though the DISCOMs were otherwise in profit.

DGVCL stated (July 2024) that it was not able to achieve the ACS-ARR gap only in 2018-19 due to increase in cost of power purchased from GUVNL without corresponding increase in tariff. Responses from other three DISCOMs are awaited (June 2024).

4.2.2.3 Installation of smart meters

The State DISCOMs were to install smart meters for all the consumers other than agricultural consumers. These consumers were divided into two categories, viz. consumers with consumption of more than 500 units per month (Category-I) and consumers with consumption of more than 200 units and up to 500 units per month (Category-II). The installation was to be completed by 31 December 2017 and 31 December 2019 for Category-I and Category-II consumers respectively. The details of target and achievement of all the four DISCOMs is shown in **Table 4.7** below:

Table 4.7: Details of installation of smart meters as on 31 May 2021

Type of consumers	Consumption	Target (in Nos.) and timelines as per MoU	Achievement (in Nos.)
Category-I	More than 500 units per month	2,47,583 (December 2017)	2,715 (1.10 per cent)
Category-II	More than 200 units and up to 500 units per month	6,32,581 (December 2019)	23,233 (3.67 per cent)

Source: Data extracted from UDAY portal.

Audit observed that out of the four State DISCOMs, only UGVCL had installed 2,715 and 23,233 smart meters in 2018-19 on pilot basis under Category-I and Category-II which was only 1.10 per cent and 3.67 per cent of the target. Other three DISCOMs did not take any action in this regard. The target of installation of smart meters remained unachieved (April 2024) even after lapse of more than six years in case of Category-I and four years in the case of Category-II consumers. This indicates that the installation of smart meters was not focussed upon.

DGVCL, MGVCL and PGVCL stated (July 2024) that installation of smart meters is envisaged under the Revamped Distribution Sector Scheme (RDSS). UGVCL stated (February 2022 and July 2024) that due to higher collection efficiency in the area, the payback period for the cost of smart meter was more than 10 years. UGVCL further stated that it was difficult to get data from smart meters due to connectivity issues in rural areas.

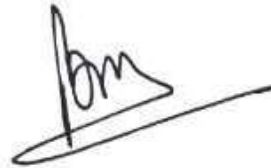
The replies of the DISCOMs are not convincing as the targets for smart meters were fixed after due deliberations with the DISCOMs.

4.2.2.4 Outstanding dues of State government departments

GoG was required to take measures for payment of outstanding dues of State Government Departments to the DISCOMs by 31 March 2016. As on 31 March 2016, the total outstanding dues in respect of water works connections of various *Gram Panchayats*, Municipal Corporations and *Nagarpalikas* for more than three billing periods was ₹ 228.55 crore. It was observed from the data provided by DISCOMs that the outstanding dues for more than three billing periods have increased to ₹ 425.23 crore as on 31 March 2023 from ₹ 228.55 crore in 2016. Further, the DISCOMs expressed (February 2022) their inability to furnish age-wise outstanding dues called for by Audit. The EPD informed that it has requested (January 2024) the Urban Development and Urban Housing Department for payment of outstanding dues of DISCOMs.

Conclusion

Thus, the State DISCOMs achieved most of the operational targets post-completion of UDAY. Though the identified targets for operational parameters were met with some delays, these helped the DISCOMs to improve operational efficiency.



(BIJIT KUMAR MUKHERJEE)

**Principal Accountant General (Audit-II),
Gujarat**

**Ahmedabad
The 07 NOV 2024**

Countersigned



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

**New Delhi
The 11 NOV 2024**

