

Chapter-4

Compliance Audit observations relating to Public Sector Enterprises

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4.1 Subject Specific Compliance Audit on Billing Efficiency and Revenue Realisation in Uttarakhand Power Corporation Limited

4.1.1 Introduction

Uttarakhand Power Corporation Limited¹ (UPCL), incorporated on 12 February 2001 under the Companies Act 1956, is the sole Distribution Licensee catering power supply to 29.13 lakh consumers (as of 31 March 2024) spread over 13 Districts of the State of Uttarakhand. UPCL purchases electricity from generating companies and distributes the same to consumers through its distribution network. For operational convenience, UPCL has categorised its consumers into Domestic, Commercial, Agricultural, Government Public Utilities, and Industries, based on nature and purpose of use of power (*Appendix-4.1*). UPCL bills and recovers the energy charges from the consumers against the energy supplied to them as per tariff order issued by Uttarakhand Electricity Regulatory Commission (UERC) from time to time.

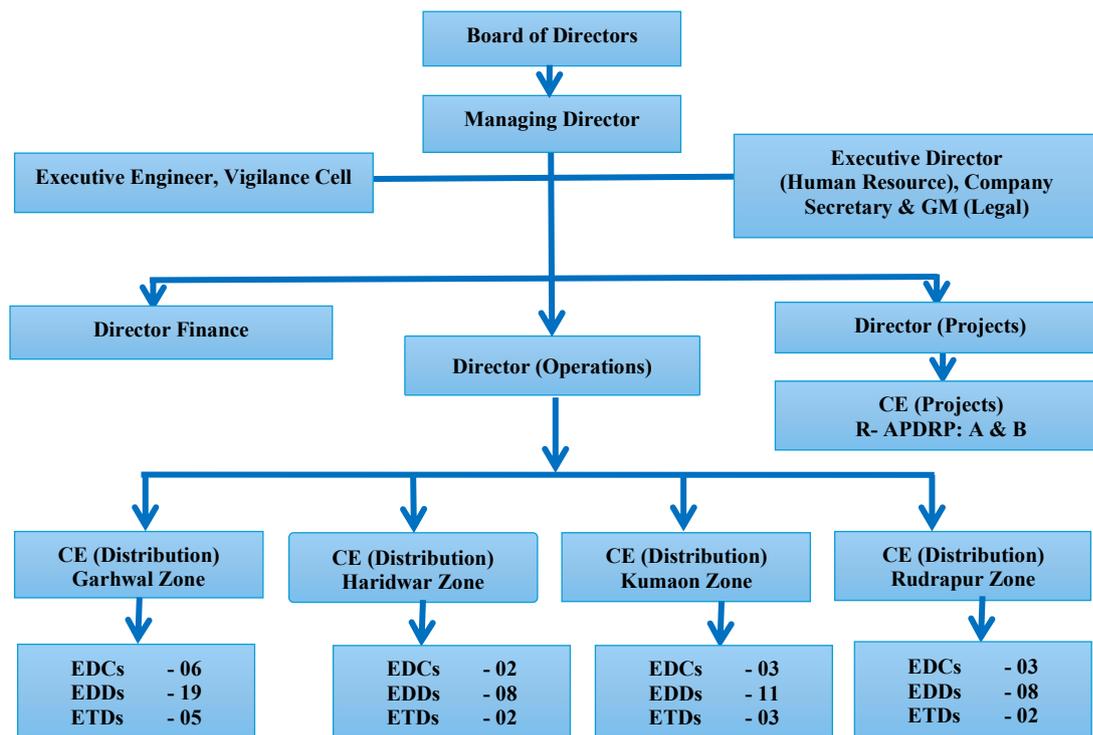
4.1.2 Organisational structure

The management of the UPCL is vested with the Board of Directors (BoD) headed by the Chief Secretary, Government of Uttarakhand (GoU) as Chairperson. The day-to-day affairs of the UPCL are managed by the Managing Director, with the assistance of the Director (Operations), Director (Projects), and Director (Finance).

For administrative convenience, UPCL has divided the geographical area of the State into four Zones (Garhwal, Kumaon, Haridwar and Rudrapur), each headed by a Chief Engineer (CE), which have further been divided into 14 Electricity Distribution Circles² (EDCs) each headed by a Superintending Engineer, and EDCs have further been divided into 46 Electricity Distribution Divisions (EDDs) and 12 Electricity Test Divisions (ETDs) each headed by an Executive Engineer (31 March 2024). Therefore, the distribution related activities of UPCL were being carried out through 72 Units, which were directly involved in ensuring distribution of electricity to the consumers and revenue realisation from them. The Organisational structure is depicted in **Chart-4.1** below:

¹ Under administrative control of Secretary (Energy), Department of Energy, Govt. of Uttarakhand.
² One EDC namely EDC-Chakrata was created in March 2024.

Chart-4.1: Organisational Structure (Distribution)



The core activities of UPCL, *inter alia*, included procurement of power from generating companies *viz.* UJVN Limited, NTPC, NHPC and others³; distribution of power to consumers through distribution network comprising lines, sub-stations and transformers; billing to consumers and revenue realisation from them *etc.* The Subject Specific Compliance Audit (SSCA) was conducted on the UPCL’s activities related to ***Billing Efficiency and Revenue Realisation.***

4.1.3 Audit Objectives

The objectives of the SSCA were to assess whether:

- The billing-related activities were carried out efficiently and effectively as per the prescribed provisions of the UERC (Supply Code) Regulations⁴, 2020 read with the Tariff orders issued by the UERC from time to time.
- The revenue realisation related activities were adequate, prompt and effective, and the UPCL was able to meet the targets of Collection Efficiency assigned by the UERC.
- There exists a robust internal control and monitoring mechanism to ensure compliance with the regulatory provisions and safeguard the business interest of the UPCL.

4.1.4 Audit Criteria

The sources of Audit criteria adopted for assessing the achievement of the audit objectives were as below:

³ Includes Gas Based Power Plants and Independent Power Producers.

⁴ The UERC (The Electricity Supply Code, Release of New Connections and Related Matters) Regulations, 2020.

- The provisions of the Electricity Act, 2003 (as amended),
- The UERC (Supply Code) Regulations, 2020/ Tariff Orders issued by the UERC from time to time
- Guidelines/ Directions/ Orders issued by Central Government/ State Government/ UPCL, and the Uttarakhand {Uttar Pradesh Government Electricity Undertaking (Dues Recovery) Act, 1958} Adoption and Modification Order, 2002.

4.1.5 Scope and Methodology of Audit

For analysing Billing Efficiency and Revenue Realisation related activities, in addition to UPCL Corporate Office, 24 field Units (EDCs-04, EDDs-17 and ETDs-03) were selected for detailed review and scrutiny, covering the period⁵ from 2020-21 to 2023-24.

The Entry Conference with the UPCL Management⁶ was held on 16 August 2023 in which the Audit Objectives, Audit criteria, Audit Scope and Methodology and the key areas for Audit were discussed. Further, the Audit findings were discussed with the UPCL Management and GoU in the Exit Conference held on 25 June 2024. The Exit Conference was attended by the Additional Secretary, Department of Energy- GoU and the Managing Director- UPCL along with the functional Directors and other officers.

The Draft Report was issued to the UPCL and GoU on 23 September 2024. In response, UPCL furnished reply on 21 November 2024, and thereafter, the GoU endorsed the reply of UPCL on 08 January 2025. Accordingly, the replies have been suitably incorporated in the finalisation of this Report.

4.1.6 Financial Highlights

The financial position of UPCL during the last four years ending on 31 March 2024 is given below:

Table-4.1: Financial position of the UPCL

(₹ in crore)					
Sl. No.	Particulars	2020-21	2021-22	2022-23	2023-24
	A. Equity and Liabilities				
1	Paid up capital (incl. Share Application Money pending allotment)	1474.91	1489.91	1529.91	1604.84
2	Accumulated Profit (+)/ Losses (-)	(-) 3851.01	(-) 3872.44	(-) 5288.07	(-) 5434.99
3	Reserve and Surplus excluding Accumulated Losses/ Deferred Government Grants ⁷	2495.27	2560.17	2905.88	2845.11
4	Non-Current Liabilities	1793.57	1491.54	1156.58	1546.72
5	Current Liabilities & Provisions	6473.24	5926.83	7932.84	8602.39
	Total	8385.98	7596.01	8237.14	9164.07

⁵ Initially, the SSCA was planned with coverage of three years from 2020-21 to 2022-23, however, in view of the prevalence and adverse impact of Covid-19 pandemic, year 2020-21 has been kept out and the year 2023-24 has been considered in the SSCA.

⁶ No representative of GoU was available to attend the Entry Conference.

⁷ Includes grant towards Capital Works, Consumer Contribution and Transfer Scheme.

Sl. No.	Particulars	2020-21	2021-22	2022-23	2023-24
	B. Assets				
6	Non-Current Assets	6611.35	6406.12	6794.36	7510.17
7	Current Assets (incl. Trade Receivables)	1774.63	1189.89	1442.78	1653.90
	Total	8385.98	7596.01	8237.14	9164.07
	Net Worth (Row 1 + Row 2)	(-) 2376.10	(-) 2382.53	(-) 3758.16	(-) 3830.15

Source: Data compiled from the Annual Financial Statements of the UPCL.

From the above **Table-4.1**, it may be seen that the Accumulated Losses of the UPCL were increased from (-) ₹ 3851.01 crore to (-) ₹ 5434.99 crore (increased by 41.13 *per cent*), and erosion in the net worth was increased from (-) ₹ 2376.10 crore to ₹ 3830.15 crore (increased by 61.19 *per cent*) during the period 2020-21 to 2023-24.

4.1.6.1 Financial Performance

The financial performance of UPCL during the last four years ending on 31 March 2024 is given below:

Table-4.2: Financial performance of the UPCL

Sl. No.	Particulars	2020-21	2021-22	2022-23	2023-24
	Revenue				
1	Revenue from Operations	6453.92	7223.56	8554.30	9648.12
2	Other Income	87.68	245.56	289.13	429.76
	Total Revenue	6541.60	7469.12	8843.43	10077.88
	Expenses				
3	Purchase Cost of Electricity	5574.46	6253.33	8633.11	8566.36
4	Repair and Maintenance Expenses	194.87	228.53	312.59	380.20
5	Employee Benefit Expenses	356.00	338.49	458.54	427.98
6	Finance Cost	189.73	203.22	217.09	297.84
7	Depreciation and Amortisation Expenses	230.22	253.30	456.70	509.67
8	Other Administrative Expenses	50.04	65.08	65.60	75.32
	Total Expenses	6595.32	7341.95	10143.63	10257.37
9	Profit/ (Loss) before Exceptional/ Prior Period Items (Row3- Row10)	(-)53.72	127.17	(-)1300.20	(-)179.49
10	Exceptional/ Prior Period Items	(-)81.44	(-)127.14	99.41	-
11	Tax Expenses (Deferred Tax Assets/ (Liabilities))	(-)16.59	(-)21.45	(-)22.85	32.58
12	Net Profit/(Loss) for the year (Row11+ Row12+Row13)	(-)151.75	(-)21.42	(-)1223.64	(-)146.91

From the above Table, it may be seen that Revenue from Operations indicated an increasing trend, from ₹ 6453.92 crore in 2020-21 to ₹ 9648.12 crore in 2023-24. The Power Purchase Cost being the major cost component, increased from ₹ 5574.46 crore (2020-21) to ₹ 8566.36 crore (2023-24). Further, the overall financial performance of UPCL indicated that it had incurred losses during the period 2020-21 to 2023-24, with the highest losses of ₹ 1223.64 crore in 2022-23, mainly due to higher purchase cost of electricity in that particular year.

4.1.7 Operational Profile of UPCL

The operational profile of UPCL is given in the **Table-4.3** below.

Table-4.3: Operational profile

Sl. No.	Particulars	As on 31 March 2024
1.	Total Consumers/ Connections (Nos.)	29.13 lakh
	Metered (Nos.)	29.13 lakh
	Unmetered (Nos.)	Nil
2.	HT Consumers (Nos.)	6,469
3.	Turnover (2023-24) (in ₹)	9648.12 crore
4.	No. of Sub-divisions	133
5.	No. of Feeders	2,562
6.	No. of 11/0.4 kV Distribution Transformers (DTRs)	91,718
7.	No. of Un-metered DTRs	64,413
8.	Line Length (circuit kilometer)	1,30,195.56

Source: Information provided by UPCL.

4.1.7.1 Tariff Based Classification

UPCL has classified its consumers based on a tiered tariff system keeping in view usage and consumption of energy, with rates increasing as consumption rises. The classification of consumers as of 31 March 2024, in terms of applicability of various tariff rates as discussed in *Appendix-4.1*, is given in **Table-4.4** below:

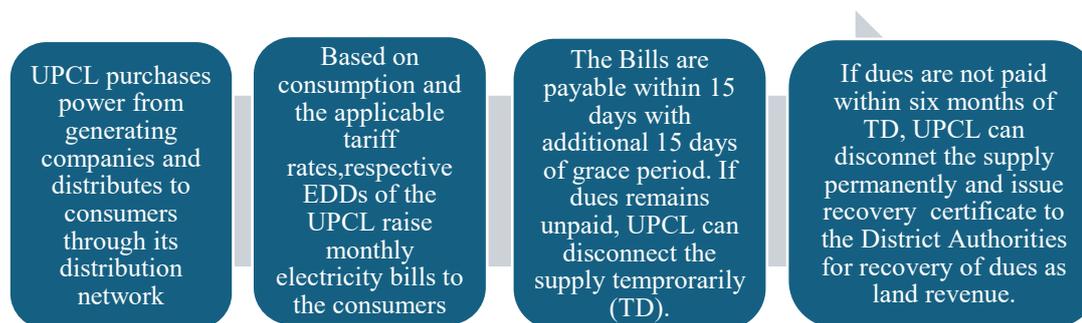
Table-4.4: RTS-Wise Consumer Base as on 31 March 2024

Sl. No.	Category	Number of Consumers	Per cent of Consumers
1	RTS-1: Domestic	25,24,813	86.67
2	RTS-2: Non-Domestic	3,14,943	10.81
3	RTS-3: Government Utilities	8,210	0.28
4	RTS-4: Private Tubewells	46,662	1.6
5	RTS-5: LT & HT Industries	18,630	0.64
6.	Others (RTS: 6, 7, 8 and 9)	123	--
Total		29,13,381	100

Source: Information provided by UPCL.

4.1.7.2 Process of Billing and Revenue Collection in UPCL

UPCL has IT based billing system which was implemented under R-APDRP. The billing of energy supplied to consumers is based on the meter reading collected through handheld devices (Spot Billing Machines-SBM) and Meter Reading Instruments (MRIs). The process of Billing and Revenue Collection in UPCL is depicted as below:



Under the Regulatory requirements, UPCL has set up Consumer Grievance Redressal Forums (CGRFs), responsible for resolving consumer complaints, having regular/principal offices at eight⁸ key locations. Further, in case, the aggrieved Consumer is not

⁸ Dehradun, Srinagar (Garhwal), Haldwani, Rudrapur, Haridwar, Uttarkashi, Karanprayag and Almora.

satisfied with the decision of the CGRFs, he/ she, may appeal to the Electricity Ombudsman appointed by the UERC under the provision of Section-42(6) of Electricity Act 2003.

4.1.7.3 Energy Profile of UPCL

The energy profile of UPCL mainly provides details of energy purchase, distributed, and sold to the consumers within the area under its jurisdiction. The targets of efficiency parameters viz. Billing Efficiency, Distribution Losses and Collection Efficiency are prescribed by the UERC.

The **Billing Efficiency**⁹ is an indicator of proportion of energy that has been billed (includes both metered and unmetered sales) to consumers with respect to the energy supplied to an area, whereas the **Collection Efficiency**¹⁰ is an indicator of proportion of amount that has been collected from consumers against the amount billed to them. **Billing/ Collection Efficiency** lower than the prescribed limits is indicative of the fact that the distribution company (DISCOM) is required to put greater efforts towards billing by stopping leakages & developing efficiencies and improving revenue realisation methods and practices.

The energy profile of UPCL depicting the energy purchased / billed, billing efficiency and distribution losses is detailed in **Table-4.5** below:

Table-4.5: Energy profile of UPCL

Sl. No.	Particulars	2020-21 ¹¹	2021-22	2022-23	2023-24
1	Energy purchased (in MUs ¹²)	13287.59	14581.68	15757.27	16108.90
2	Per cent of Distribution losses allowed by UERC	14	13.75	13.50	13.25
3	Distribution losses allowed by UERC (in MUs) (Row 1 x Row 2 /100)	1860.26	2004.98	2127.23	2134.43
4	Energy available for billing as per UERC (in MUs) (Row 1 less Row 3)	11427.33	12576.70	13630.04	13974.47
5	Energy sold (in MUs)	11432.59	12518.80	13491.22	13870.71
6	Billing Efficiency (in per cent) (Row 5/ Row 1 x100)	86.04	85.85	85.62	86.11
7	Distribution loss (in per cent) (100 - Row 6)	13.96	14.15	14.38	13.89
8	Distribution losses over & above permissible limits (in MUs) (Row 4- Row 5)	-5.26	57.90	138.82	103.76
9	Cost of Power Purchase including expenditure (₹ in crore)	6,605.67	7,244.98	9777.94	9824.85
10	Sale of Electricity (₹ in crore)	6,453.92	7,223.56	8554.30	9648.12
11	Cost of power sold per unit (in ₹) (Row 9 / Row 5)	5.78	5.79	7.25	7.08
12	Sale of power sold per unit (in ₹) (Row 10 / Row 5)	5.65	5.77	6.34	6.96
13	Net Profit / Loss (-) per unit sold (Row 12- Row 11)	-0.13	-0.02	-0.91	-0.12

Source: Information provided by UPCL.

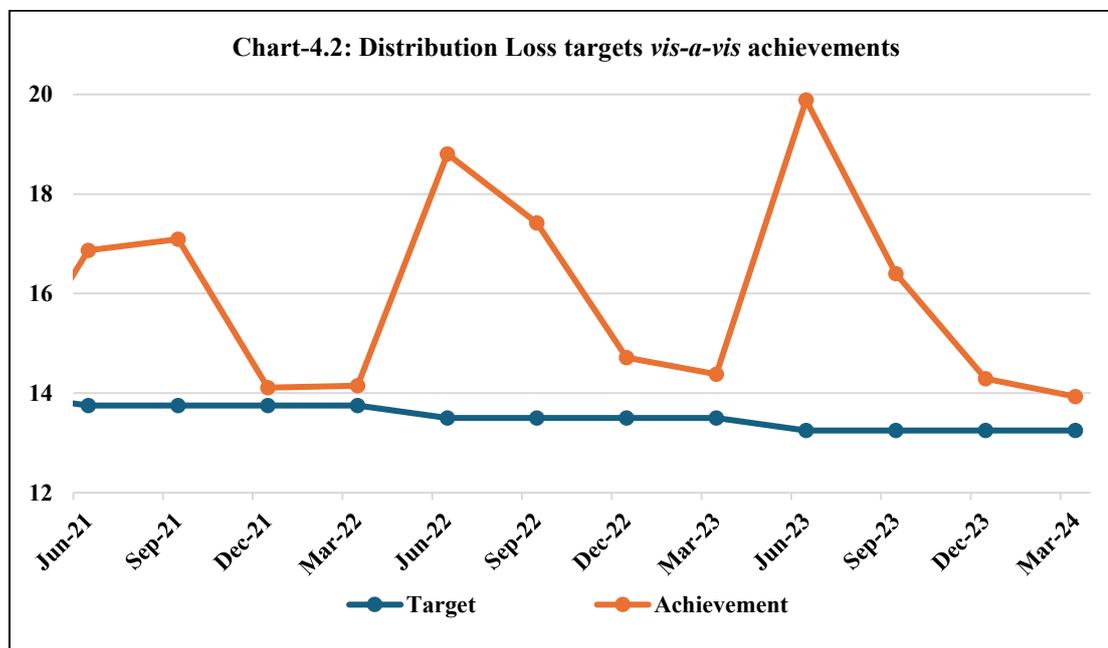
⁹ Billing Efficiency = Total Energy Billed to Consumers (kWh) / Total Energy Input (kWh).

¹⁰ Collection Efficiency = Revenue Collected (In ₹) / Billed Amount (In ₹).

¹¹ Considering the hardships due to Covid-19 pandemic during the year 2020-21 and the fact that UPCL was able to achieve the distribution loss targets, year 2020-21 has been excluded from further analysis.

¹² In Million Units.

It is evident from the above that during the year 2020-21, which was largely affected by Covid-19 pandemic, UPCL was able to meet the distribution loss targets and the same were 13.96 per cent against the target limit of 14 per cent prescribed by the UERC. The position of the quarterly achievements against the targets of distribution losses during the period 2021-22 to 2023-24 is depicted in **Chart-4.2** below:



Source: Information provided by UPCL.

It can be seen that, during the year 2021-22 to 2023-24, UPCL did not achieve the prescribed distribution loss targets, indicating a shortfall of 0.40 percentage points to 0.88 percentage points. As a result, UPCL lost 300.48 MUs of energy valuing ₹ 156.07 crore¹³, over and above the permissible limits of distribution losses during the period of 2021-22 to 2023-24.

Further, as envisaged from **Chart-4.2**, the achievements of UPCL against the UERC distribution loss targets, were cyclical in nature. This was primarily due to additional drives on billing and revenue realisation carried out by UPCL in the last quarter of the aforesaid financial years.

4.1.8 Audit Findings

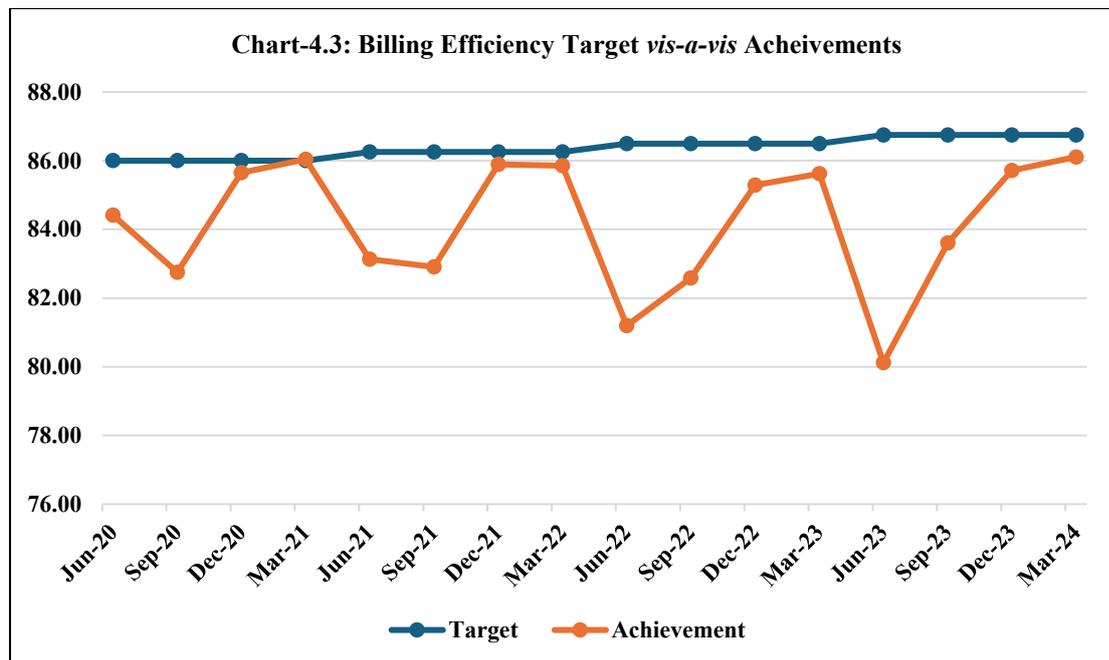
The Audit findings have been broadly divided into three parts viz. (1) Billing Efficiency-related cases; (2) Revenue Realisation-related cases; (3) Internal Control and Monitoring-related cases.

4.1.8.1 Billing Efficiency

Billing efficiency refers to the proportion of energy that has been billed (includes both metered and unmetered sales) to consumers with respect to the energy supplied to an area. Billing Efficiency and distribution loss are inversely related. The higher distribution losses indicate the lower Billing Efficiency and vice-versa.

¹³ Calculated @ of ₹ 4.29 per unit, ₹ 5.48 per unit and ₹ 5.32 per unit respectively for the period 2021-22 to 2023-24 respectively.

Records indicated that the UPCL had not been able to achieve the billing targets except during the year 2020-21, against the distribution loss targets assigned by the UERC, as depicted in **Chart-4.3** below:



Source: Information provided by UPCL.

It is evident from the above Chart that the billing efficiency remained close to the targets between December and March every year, however, during the period April-June, there was a sharp decline in billing efficiency which remained up to September every year.

The automation of the billing system by streamlining the billing process right from meter reading to bill generation and containing distribution losses, was key to enhance the billing efficiency. For achieving greater billing efficiency, implementation of the smart metering was one of the essential measures. However, there was a significant delay in implementing the smart metering project. The tender for replacement/ installation of 15.87 lakh smart meters was floated in December 2022 but the work was awarded in December 2023 and thereafter, agreement was signed in March 2024. Further, delay in implementation resulted in installation of only 60,514 smart meters (as of 31 March 2025) against 15.87 lakh smart meters.

Thus, the billing efficiency remained lower than the targets assigned by UERC and ranged from 86.04 per cent to 86.11 per cent during 2020-21 to 2023-24 (**Table-4.5**) mainly due to distribution losses. Further analysis of distribution losses is discussed in the succeeding paragraphs:

(i) Loss of energy worth ₹ 156.07 crore due to theft of power

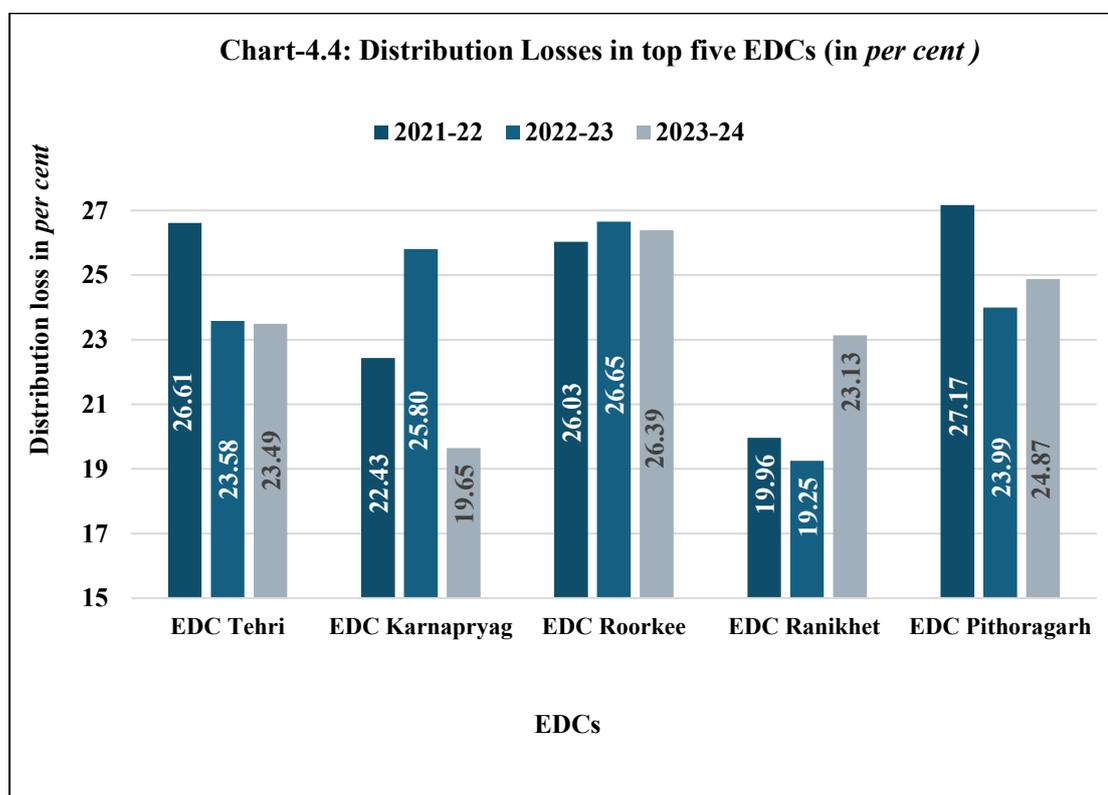
In the Power Sector, the distribution losses are referred to as one of the key yardsticks for the measurement of performance of distribution utilities. It is the difference between the energy input and the energy billed to the consumer. As discussed in **paragraph-4.1.7.3**,

UPCL lost 300.48 MUs of energy valuing ₹ 156.07 crore during the period 2021-22 to 2023-24. Analysis of loss of energy at the EDC/EDD level is indicated as below:

(a) Distribution losses at EDC level

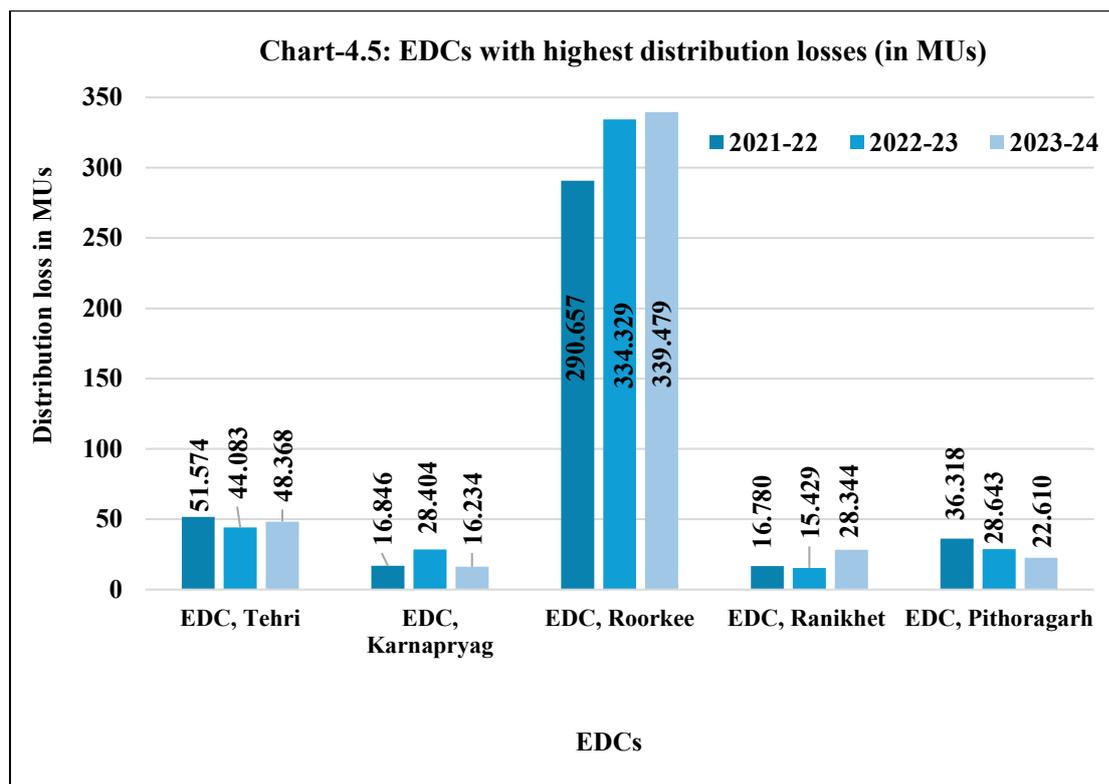
The UERC had prescribed the target of 13.25 *per cent* for distribution loss during the year 2023-24. Analysis of the distribution losses at EDC level indicated that out of 13 EDCs, six¹⁴ EDCs met the target, recording distribution losses between 6.49 *per cent* and 11.87 *per cent*. Accordingly, they were able to bill an additional 374.682 MUs of energy as compared to the target. The remaining seven¹⁵ EDCs could not meet the target with distribution losses ranging from 19.65 *per cent* and 26.39 *per cent*, incurring total loss of 478.446 MUs in billable energy relative to the target. The underperformance led to a net loss of 103.764 MUs of energy (478.446 - 374.682).

Out of these seven EDCs, the highest distribution losses incurred by five EDCs are depicted in **Chart-4.4**:



It can be seen that, out of the five EDCs, four lie in the hilly terrains where the losses are generally considered high due to difficult geographical terrain and low density of consumers. The fifth *i.e.* Roorkee, lies in the plains, has been the worst performer with distribution losses to the tune of 964.465 MUs during the period 2021-24, as depicted **Chart-4.5** below:

¹⁴ EDCs total billed additional energy 374.682 MUs as compared to the target-Dehradun Urban (81.383), Dehradun Rural (81.688), Srinagar (37.620), Haridwar (36.243), Kashipur (90.203), and Rudrapur (47.545).
¹⁵ EDC (lost total 478.446 MUs as compared to the target)-Tehri (48.368), Karanpryag (16.234), Roorkee (339.479), Haldwani (9.886), Ranikhet (28.344), Pithoragarh (22.610), and Champawat (13.525).



Source: Information provided by UPCL.

It may be seen from the above **Chart** that EDC Roorkee was incurring the highest losses among the EDCs, which ranged between 69 per cent and 74 per cent of the cumulative losses incurred by the top five EDCs together.

Further, analysis revealed that the distribution losses in respect of the EDC Roorkee were in increasing trend from 291 MUs, to 339 MUs during the period 2021-22 to 2023-24. The financial impact of distribution loss in EDC Roorkee was worked out to ₹ 488.50 crore, as under:

Table-4.6: Cost of energy lost in EDC Roorkee

Year	Loss of Energy over & above the permissible limits (in MUs)	Average Power Purchase Cost (APPC) per unit (in ₹)	Distribution Losses over & above the permissible limits (₹ in Crore)
2021-22	290.657	4.29	124.69
2022-23	334.329	5.48	183.21
2023-24	339.479	5.32	180.60
Total	964.465	--	488.50

Source: Information provided by UPCL.

It is evident that EDC Roorkee alone suffered energy loss of 964.465 MUs costing ₹ 488.50 crore during the period of three years ending as on 31 March 2024. The EDC Roorkee comprises of four EDDs namely Bhagwanpur, Roorkee Rural, Roorkee Urban and Roorkee Ramnagar, among which the distribution losses of Bhagwanpur remained closer to the permissible limits, however, the same in respect of other three EDDs

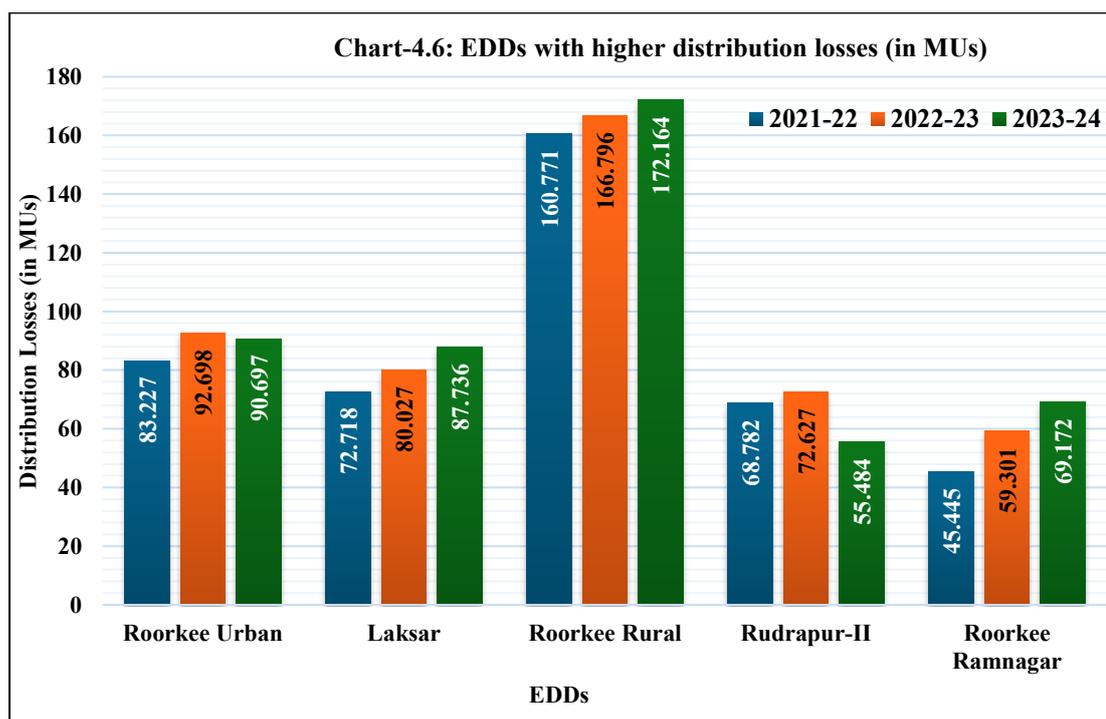
remained higher among all the EDDs of UPCL except three¹⁶ EDDs and ranged from 27.34 per cent to 34.83 per cent during the above period.

Further, the cost of energy loss incurred by other four EDCs was worked out at ₹ 177 crore (EDC: Tehri-₹ 72 crore, Pithoragarh-₹ 43 crore, Ranikhet-₹ 31 crore and Karnprayag-₹ 31 crore) during the period 2021-22 to 2023-24. The main reason attributable to the above distribution losses was theft of power.

(b) Distribution losses at EDD level

Analysis of distribution losses at EDD Level indicated that, out of 46 EDDs, 19 EDDs were able to meet the distribution loss targets of 13.25 per cent, however, 10 EDDs incurred distribution losses ranging from 13.26 per cent to 20 per cent and 17 EDDs had losses more than 20 per cent (*Appendix-4.2*) for the year 2023-24.

Among the Divisions, the EDDs under the jurisdiction of the EDC Roorkee had higher distribution losses as discussed in the preceding paragraph. The top five EDDs indicating higher distribution losses ranging from 45.445 MU to 172.164 MU during the period 2021-22 to 2023-24, are depicted in **Chart-4.6** below:



Source: Information provided by UPCL.

Further review indicated that theft of power was the primary reason of higher distribution losses and this was coupled with the absence of deterrent measures in terms of theft preventing activities. The situation could be dealt with by introducing strong vigilance & administrative support in the form of dedicated police stations and courts.

¹⁶ EDD Bageshwar, EDD Dharchula and EDD Narayanagarh (distribution losses ranged between 26.60 per cent and 37.86 per cent).

The impact of loss of energy (based on APPC) in these top five EDDs is detailed in **Table-4.7** below:

Table-4.7: Loss of power in the top five EDDs

<i>(₹ in crore)</i>					
Sl. No.	EDD/ Year	2021-22	2022-23	2023-24	Total
1	Roorkee Rural	68.97	91.40	91.59	251.96
2	Roorkee Urban	35.70	50.80	48.25	134.75
3	Laksar	31.20	43.85	46.68	121.73
4	Rudrapur-II	29.51	39.80	29.52	98.83
5	Roorkee Ramnagar	19.50	32.50	36.80	88.80
Total		184.88	258.35	252.84	696.07

Source: Information provided by UPCL.

A study report on UPCL performance (March 2024) also highlighted these issues and advocated for measures to be taken.

Study Report on UPCL Performance Transformation

The GoU Discussion Documents (March 2024) on UPCL Performance Transformation, *inter alia*, acknowledged that Haridwar and US Nagar accounted for *approximately 70 per cent* of the total energy lost and discussed potential solutions / decisions required for the transformation of UPCL. It advocated for sealing operational leakages through control of distribution losses, optimising power purchase cost and conversion of grants into debt/debts into equity.

The Management stated (November 2024) that UPCL regularly focuses on Billing Efficiency, Collection Efficiency and Distribution Losses in the districts of Haridwar and Udham Singh Nagar (US Nagar) as these districts are densely populated and industrialised and consume almost *60 per cent* of the energy sold. Further, stringent action is also being taken against the divisions which are not performing well. For smooth function and better control over various parameters, new Distribution Divisions as well as Circle offices are also created.

Audit noticed that no action was taken by the UPCL till January 2025 on the GoU's study report of March 2024 to contain the distribution losses. Further, despite having significant distribution losses at EDC level (EDC Roorkee in particular) and other EDDs as mentioned above, UPCL did not formulate any action plan for containing these losses as also highlighted in the above Study Report.

(ii) Lack of manpower/ police officials in the Vigilance Cell

Section 135 of the Electricity Act, 2003 read with Clause 7.2.1 of the UERC (Supply Code) Regulations, 2020 empowers the UPCL to check/ inspect the consumers' premises for detecting the unauthorised use / theft of electricity.

The GoU, vide Circular (06 October 2004) accorded sanction for creation of 44 temporary posts, which among others, included for **Raids & Revenue Inspection Department (RRID)** 11 officers/officials comprising Deputy General Manager (DGM)/ Superintending Engineer rank - 01; Executive Engineers - 02; Assistant

Engineers (AEs)-04 and Junior Engineers (JEs)-04. The establishment of the RRID was important to ensure that (1) all Revenue Units are inspected at least once a year, (2) assessment & realisation against the irregularities are identified during the Raids / Inspections (3) raids / inspection at consumer premises are arranged, as per order of the higher Management, and (4) surprise checks & inspections are carried out.

Records indicated that the RRID, as such, did not come into existence. However, there exists a Vigilance Cell, approval for which was conveyed (November 2018) by the Secretary, Energy Department, GOU with sanctioned strength of eight officials from the Police Department on deputation basis. The Vigilance Cell works jointly with the technical manpower of UPCL and the police officials from the State Police Department.

The details of deployment of Police officials against the sanctioned strength in the Vigilance Cell at the end of the year 2021-22 to 2023-24 are given in **Table-4.8** below:

Table-4.8: Statement of deployment of manpower in Vigilance Cell

Sl. No.	Name of the post	Sanctioned Strength	Men-in-position (as at the end of March)			Vacant Post (March 2024)
			2022	2023	2024	
1	DIG/ SSP	01	01	01	01	--
2	Dy. SP	01	00	00	00	01
3	Inspector	02	03	02	02	--
4	Sub-Inspector	04	00	00	00	04
Total		08	04	03	03	05

Source: Information provided by UPCL.

It may be seen from above that there was a significant shortfall (63 per cent) in deployment of police manpower in Vigilance Cell (31 March 2024) and that the posts of Dy. SP and Sub-Inspectors remained vacant during the period 2021-22 to 2023-24. Records also indicated that deployment of women Police Officials (Sub-Inspectors & Constables) in Vigilance Cell was also not done for conducting raids, particularly in the premises of domestic consumers.

The details of the UPCL officials engaged with the Vigilance cell are given in **Table-4.9** below:

Table-4.9: - Statement of deployment of manpower in Vigilance Cell

Sl. No.	Name of the post	Men-in-position (as at the end of March)		
		2022	2023	2024
1	Executive Engineer	02	02	02
2	Asstt. Engineer	04	03	04
3	Junior Engineer	--	--	--
Total		06	05	06

It may be observed that considering the sanctioned strength of manpower for RRID and the strength of the Vigilance Cell, the overall men-in-position remained about 50 per cent only during the years 2021-2022 to 2023-24, with no JEs in the team.

As a result, the targets of vigilance raids remained underachieved as detailed in **Table-4.10** below:

Table-4.10: Vigilance Raids-Targets vis-à-vis Achievements

Year	Target	No. of raids conducted	Percentage of achievement	Cases of theft of electricity	Remarks
2020-21	4800	3303	68.81	2335	The details of FIRs lodged, Assessment raised, Amount recovered <i>etc.</i> exclusively owing to vigilance raids were not provided to Audit.
2021-22	4800	3266	68.04	2289	
2022-23	4800	4143	86.31	2972	
2023-24	4800	4103	85.48	2531	
Total	19200	14815	77.16	10127	

Source: Information provided by UPCL.

It may be seen from the above Table that there was a shortfall in achievement of targets for vigilance raids ranging from 13.69 *per cent* to 31.96 *per cent* during 2020-21 to 2023-24 which impacted the performance of deterrent measures to deal with theft of power.

Non-strengthening of the Vigilance Cell despite continuous energy losses in the areas under the jurisdiction of EDC Roorkee, Chief Minister's directions (June 2023) and several cases of manhandling with UPCL teams, remained a matter of concern

The Management stated (November 2024) that UPCL Vigilance Unit had been strengthened from time to time to prevent unauthorised use/theft of electricity, and the same was functioning with an appropriate structure (or appropriate strength¹⁷) at present. It was also stated that after Covid-19 pandemic, vigilance drives have increased from 68 *per cent* (in FY 2021 & 2022) to 86 *per cent* (in FY 2023). After deployment of additional Assistant Engineers in March 2023, the vigilance checking has increased from 86 *per cent* to 104 *per cent* (in the first half year of FY 2025). Against the target of 2400 raids, there have been 2517 raids with 1575 FIRs during the first half of the year 2024-25.

Audit acknowledges the improvement in number of vigilance raids/ checkings and the increase in the manpower of the Vigilance cell. However, a well-structured Vigilance Cell with adequate number of police officials and UPCL manpower is essential for effective governance, implementation and follow-up of the vigilance related activities.

(iii) Lack of administrative support for containing theft / pilferage of energy

*The Niti Aayog*¹⁸ advocated (August 2021) that **DISCOMs** require the support of government machinery, in the form of police and courts, to settle legal and administrative disputes. The report further states that, in Maharashtra, Odisha, Gujrat and Manipur, such support from the government resulted in a drastic decrease in loss due to pilferage.

¹⁷ Executive Engineer-02; Assistant Engineer-05; Security Personnel-09, and officials-05.

¹⁸ Report on Turning Around the Power Distribution Sector; Learnings and Best Practices.

States like Andhra Pradesh, Delhi, Karnataka, Rajasthan, Uttar Pradesh, Gujrat and West Bengal have enacted anti-theft laws and many of them have set up special courts and dedicated police stations. These states have noticed significant reduction in the power theft cases.

Earlier, the **Forum of Regulators¹⁹ (FOR)** publication (September 2008) on **Distribution Loss Reduction Strategies**, *inter alia*, advocated for a multi-prolonged strategy with technical interventions as well as administrative/ governance measures and acknowledged the theft of electricity as the biggest menace and envisaged to tackle it sternly and with actions having a deterrent effect.

In another publication (July 2016) on **Best Practices and Strategies for Distribution Loss Reduction**, the FOR envisaged that DISCOMs should prioritise their resources towards implementation of recommendations which, *inter alia*, included administrative initiatives such as setting up of dedicated police stations and the courts.

In this regard, Audit noticed the following:

The Hon'ble Chief Minister of the State in a review meeting (June 2023), *inter alia*, directed to strengthen the vigilance team and establish dedicated electricity police stations to prevent electricity theft in the districts Haridwar and US Nagar, and to review the efforts of the vigilance teams towards containing the electricity theft monthly.

- In view of the direction (October 2019) of the Secretary (Energy)-GoU to submit a proposal to set up dedicated electricity Police Stations, SSP (Vigilance) identified two districts *viz.* Haridwar and US Nagar clocking the highest distribution losses at the feeder level ranging from 63.52 *per cent* to 77.80 *per cent*.
- Accordingly, UPCL had forwarded (July 2020) to the Secretary (Energy), GoU a detailed proposal for establishing dedicated Police Station in each of the two districts *viz.*

Haridwar and US Nagar. It was further opined that establishment of the separate Police Stations will facilitate in taking-up immediate measures to deal with electricity theft related issues in these areas. However, no subsequent follow-up of the matter with GoU was noticed.

- Despite the lapse of more than five years of submission of a detailed proposal for setting up the dedicated police stations in the two most affected districts, there has been no progress towards setting up the dedicated electricity Police Stations so far (January 2025).

¹⁹ Forum of Regulators (FOR) was constituted vide Notification dated 16 February 2005 in pursuance of the provision under section 166(2) of the Electricity Act, 2003.

- As a result, the distribution losses in the said Districts continue to remain high as discussed in **Paragraph-4.1.8.1**. Records further indicated that EDC Roorkee



struggled to get FIRs registered against the theft cases identified during the raids, as local Police did not cooperate stating shortage of manpower. Further, there was no effective mechanism for follow up of the theft cases.

- The theft situation in the area under the jurisdiction of EDC Roorkee can be understood in light of the fact that 104 transformers valuing ₹ 1.52 crore were stolen during the period 2019-20 to 2023-24.
- UPCL officials have been subjected to harsh treatment / physical attack/ manhandling in the theft prone areas of Roorkee. The Print Media has also been reporting cases of attack/ manhandling with the UPCL Vigilance Teams.

In this regard, the impact of improvement in dealing with the theft of electricity through establishment of dedicated Police Station in neighbouring state Uttar Pradesh is discussed below:

Establishment of the dedicated electricity Police Stations by the Govt of Uttar Pradesh

The neighbouring state of Uttarakhand *i.e.* Uttar Pradesh and many other states have established dedicated Police Stations for curbing the menace of theft & unauthorised use of electricity. The establishment of dedicated Police Stations in the state of Uttar Pradesh have supported the UPPCL in (1) getting the FIRs registered promptly, (2) reduced timeliness in investigations and strong follow-up and monitoring of the registered cases, (3) higher revenue collections of ₹ 47.52 crore (being 12.28 per cent of the FIRs value) against the establishment cost of total ₹ 41.00 crore. (registered value of the FIRs lodged in police stations of ₹ 402.27 crore which were pending/contested in Court of Law up to December 2020), (4) Noticeable downtrend in power theft cases as a percentage of Raids reduced from 65.97 per cent to 47.92 per cent during the year 2017 to 2020 respectively, and (5) centralised data of offenders.

The Management stated (November 2024) that the matter was again discussed during the review meeting held on 22 July 2024 at the Government level, wherein, UPCL raised the issue of non-registering of the FIRs of electricity theft cases and requested to establish the dedicated Police Stations. Further, UPCL again requested (04 November 2024) the Secretary (Energy), GoU to establish the dedicated Police Stations in the districts of Haridwar and US Nagar.

Audit noticed that the dedicated Police Stations in the district of Haridwar and US Nagar District were yet to be established (January 2025).

(iv) Continuous provisional billings due to NA/NR/defective meters

Provisional Billing is a temporary arrangement for raising bills based on average consumption of previous three billing cycles where meter is found/ reported defective²⁰ (IDF/ ADF/ RDF) and based on average consumption of previous twelve billing cycles where meter is inaccessible/ reading could not be taken (NA/NR).

Clauses 5.1.4 and 5.1.2 of the UERC (Supply Code) Regulations, 2020 require UPCL to maintain the meters and keep them in working order at all times and ensure replacement of defective meters within 15 days from the date of the meters being found or being reported defective/stuck/stopped/burnt/stolen. Further, in case of the meter being defective or being inaccessible or where readings could not be taken, Clause 5.2.1 also mandated UPCL to raise bills on a provisional basis for a maximum period of two billing cycles. Thereafter, the UPCL is not entitled to raise any bill on a provisional basis.

Audit noticed that UPCL had 1,13,273 live consumers with NA/NR/ defective meters as on 31 March 2024 who were billed for more than two continuous billing cycles.

The details of provisional billing in respect of the NA/NR consumers and the defective meters, are given in **Table-4.11** below:

Table-4.11: Provisional Billing beyond Regulatory Norms

(₹ in crore)

Billing Cycles	NA/NR		Defective meters		Total	
	Number of Consumers	Arrears March 2024	Number of Consumers	Arrears March 2024	Number of Consumers	Arrears March 2024
3-12	26,082	55.65	43,544	98.30	69,626	153.95
13-24	6,974	29.86	12,573	68.09	19,547	97.95
25-36	2,739	17.47	5,435	35.06	8,174	52.53
37-48	968	7.44	5,611	29.91	6,579	37.35
49-60	327	3.15	4,837	20.20	5,164	23.35
61 & above	177	1.97	4,006	18.27	4,183	20.24
Total	37,267	115.54	76,006	269.83	1,13,273	385.37

Source: information provided by UPCL.

From the above Table, it is evident that 1,13,273 consumers were billed on a provisional basis beyond the prescribed limit of two billing cycles and out of this, in case of 24,100 consumers (having corresponding arrears of ₹ 133.47 crore), provisional billing was done for more than 24 billing cycles *i.e.* for more than two years.

Audit noticed 10 cases (**Appendix-4.3**) of provisional billing which were brought before the CGRFs/ the Ombudsman and provisional billings in respect of all the cases were quashed for being contrary to the regulatory provisions, stating that UPCL was not entitled to raise bills on a provisional basis for more than two billing cycles. The Ombudsman, while passing the order in three cases at serial number 2, 3, 5 of **Appendix-4.3**, also stated that it would be appropriate to recover the cost of such bills from the erring staff. However, no follow-up action was noticed.

²⁰ Defective meters are categorised as Identified Defective Meters (IDF), Appear Defective Meter (ADF), Reading Defective Meters (RDF), and for inaccessible category *i.e.* Non-Availability (NA) and Not Read (NR).

The Management, on being pointed out by Audit, issued (May 2024) directions to the concerned officials to ensure that provisional electricity bills should not be issued for more than two billing cycles under any circumstances.

(v) Use of non-NABL accredited check meters

Clause 3.1.1 of the UERC (Supply Code) Regulations, 2007 required UPCL to use the energy meters conforming to the requirements of CEA (Installation and Operation of Meters) Regulations 2006, which *inter alia* provided that Licensee shall set up appropriate number of accredited testing laboratories or utilise the services of other accredited testing laboratories. Clause 5.1.3 of UERC (Supply Code) Regulations, 2020 reiterated the same provision.

It was noted that there was no progress on the matter till 2020. The Electricity Ombudsman sensitised (December 2020) UPCL regarding the requirement of accreditation of meter test labs, followed by further communications to the Managing Director, UPCL and the Secretary (Energy), GOU. It was also advised that, till the time UPCL labs are not accredited, the services of accredited labs of nearby power corporations of other states, for getting the meters, at least HT meters, tested from an accredited lab.

In absence of NABL accreditation/ delayed accreditation of test labs, the check/reference meters installed by ETDs were not certified by NABL-accredited labs. This led to disputes with consumers, escalating to CGRFs and the Electricity Ombudsman. In eight cases (***Appendix-4.4***), the Electricity Ombudsman invalidated assessments/revised bills of ₹ 2.79 crore raised by UPCL and, vide its different orders issued during February 2022 to July 2023, set aside the orders of CGRF on the grounds that check meters were not NABL certified.

The Management stated (November 2024) that getting NABL accreditation of a test labs cost ₹ two crore each along with 12-15 months of time and hence, it was planning to get NABL accreditation for the four²¹ test labs besides ETD (Urban), Dehradun and ETD, Haldwani to cater its needs for almost all the consumers of UPCL. The Management also stated that UPCL had filed writ petition(s) in all the cases before Hon'ble High Court.

The fact is that UPCL, in the absence of its NABL accredited laboratories, did not utilise the services of other NABL accredited laboratories to avoid non-compliance of the Regulations causing likely loss of ₹ 2.79 crore.

(vi) Contract load violation by domestic consumers

Clause 5.2.3.(1)(b) of the UERC (Supply Code) Regulations, 2020, *inter alia*, provides that if the Maximum Demand²² (MD) of the domestic consumers is found to be exceeding the permissible limits for three consecutive billing cycles, a notice along with the bill of 4th billing cycle is required to be issued to the consumers informing them

²¹ ETD-Srinagar, ETD-Almora, ETD-Haridwar and ETD-Kashipur.

²² The Maximum Demand in kW or kVA, as the case may be, shall mean an average kW or kVA supplied during consecutive 30/15 minutes (depending upon the type of meter being used) period of maximum use.

either to restrict their load within the contracted load or apply for additional load, failing which during the 5th billing cycle, the Licensee shall enhance the contracted load of such domestic consumers in the 6th billing cycle on the basis of average of the MD recorded in the previous five billing cycles. These provisions of demand violation by domestic consumers were applicable *w.e.f.* 01 April 2021.

To ascertain compliance with the aforesaid provisions, an analysis of billing data of five billing cycles (January 2022 to September 2022) was carried out by Audit. The analysis revealed that 32,041 consumers had continuously exceeded the contracted load in the five billing cycles. Accordingly, UPCL was required to enhance their contracted load *w.e.f.* sixth billing cycle *i.e.* October 2022. However, UPCL did not take any action in this regard, which resulted in loss of revenue of ₹ 45.47 lakh per month in respect of demand charges recoverable as per tariff rate. The loss of revenue was worked to ₹ 5.00²³ crore till August 2023.

The Management, while accepting the Audit observations, stated (November 2024) that Covid-19 pandemic was among the reasons for delay in implementation of the said provisions. However, it implemented the said provisions and enhanced contracted load of 1.34 lakh consumers (with corresponding load of 211 MW) and also raised/ billed, an amount of ₹ 10.83 crore on account of additional Security Deposit.

(vii) Contracted load violations by other than domestic consumers

Clause 5.2.3 (1) of the UERC (Supply Code) Regulations 2020 read with the Tariff Orders, provided for **Excess Load/ Demand Penalty** on other than domestic consumers as twice the normal rate of fixed charges which were chargeable only for the month in which MD²⁴ exceeds the contracted load.

Further, Clause 5.2.3 (2) of the UERC (Supply Code) Regulations, 2020 stated that where the MD exceeds the contracted load for three consecutive billing cycles, a notice along with third bill shall be served to the consumer informing him either to restrict the load within the contracted load or apply for additional load, failing which, charges for such excess load/ demand shall be twice the charges for **Excess Load/ Demand Penalty violation as per Clause 5.2.3 (1) above** read with the Tariff Order *i.e.* effectively four times the normal fixed charges fixed by the UERC.

The said provisions of the Regulations could serve as an important tool to deal with the cases of consumers violating their contracted load continuously but reluctant to enhance their contracted load. However, these provisions were implemented in December 2023 with a delay of more than three years.

Audit analysed billing data of the 43 industrial consumers who violated their contracted load, on test-check basis, and worked out non-levy of excess load demand penalty of ₹ 1.59 crore (**Appendix-4.5**) during the period June 2021 to November 2023.

²³ ₹ 45.47 lakh x 11 months (October 2022 to August 2023).

²⁴ As per Paragraph 1.2 (ii) of the UERC (Supply Code) Regulations, 2020 “Maximum Demand” refers to the Maximum Demand in kW or kVA, as the case may be, shall mean an average kW or kVA supplied during consecutive 30/15 minutes (depending upon the type of meter being used) period of maximum use where such meter with the features of reading the maximum demand in kW or kVA directly, has been provided.

The Management, while citing Covid-19 and different interpretations of penalty provisions requiring clarification from the UERC, as the reasons for delay in implementation of said provisions, stated (November 2024) that it implemented the provisions of excess demand penalty of four times *w.e.f.* December 2023 and raised excess demand charges to the tune of ₹ 40.85 crore (recovered ₹ 27.93 crore) from the load violating other than domestic consumers (August 2024).

Audit is of the view that such revenue-related matter should have been prioritised by the Management by seeking necessary clarifications, if any, from the UERC well in time.

(viii) Inadequate periodical inspection/ testing and calibration of the meters

Clause 5.1.3 of the UERC (Supply Code) Regulations 2020 provides that UPCL shall conduct periodical physical inspection/ testing and calibration of the meters. Accordingly, all the HT meters (including inspection/ testing/ calibration) and LT meters were eligible for checking every year and once in every five years respectively. Audit noticed that the number of checks carried out by UPCL during 2021-22 to 2023-24 were inadequate and that it did not institute any IT based mechanism to monitor and verify the periodicity of checking of a particular meter. However, UPCL had set out (May 2019) internal targets of checking, inspection of meters and study of consumers for the field Units as detailed in *Appendix-4.6*. The year-wise consolidated targets and checking are tabulated below:

Table-4.12: Checking targets *vis-à-vis* Achievements

Year	Internal Targets	Checking	Percentage of checking	FIR against Theft	Assessment (₹ in crore)	Recovery (₹ in crore)	Percentage of Recovery
2021-22	60,120	16,040	26.68	3,695	37.43	2.02	5.40
2022-23	60,480	21,962	36.31	5,250	50.40	28.22	55.99
2023-24	61,320	19,823	32.33	3,576	18.42	3.92	21.28
Total	1,81,920	57,825	31.78	12,521	106.25	34.16	32.15

Source: information provided by UPCL.

As depicted above, the number of meters checked by the UPCL field officials was short of their targets assigned by the Management and remained 31.78 *per cent* only during 2021-22 to 2023-24. The recovery against the corresponding assessments also remained at 32.15 *per cent* only. The number of meters checked was grossly inadequate when compared to the targets.

As the purpose of these checking/ study of meters is a Regulatory requirement and to ensure prevention / detection of electricity theft, accurate billing, improve safety, and reduce losses, it was essential for UPCL to ensure that required number of meters/connections are checked and a database of all such checking (internally or through outsourced agencies) is maintained.

The checking/ testing targets (May 2019) *inter alia* included study of all the meters having Contracted load 500 KVA to 1000 KVA and Contracted load above 1000 KVA at least once every year. However, no such study of consumers was found on records during the course of Audit.

While accepting the audit observation, the Management stated (November 2024) that it had engaged outsourced agencies for periodic testing and checking of meters. The Management also stated that, apart from issuing instructions to the field offices, a dedicated Monitoring Cell has been established for regular review and monitoring of checking status, revenue assessment and realisation. Further, tenders for checking of 3937 HT meters have been floated and checking of the meters is being done as per the available manpower and time.

4.1.8.2 Revenue Realisation related findings

Clause 6.1 of the UERC (Supply Code) Regulations, 2020 empowers UPCL to safeguard its financial interest against the defaulting customers by disconnecting power supply on temporary basis in case dues are not paid by the consumers within 15 days of the bill-cum-disconnection notice (*i.e.* electricity bill) sent in regular course. Further, in case, dues are not paid within six months of date of temporary disconnection (TD), permanent disconnection (PD) shall be done by removing the meter and equipment installed in the consumers' premises, and the dues shall be recovered through Revenue Recovery Certificates (RRCs) by forwarding the same to the District Authorities for realisation as arrears of land revenue. The status of arrears for the year 2021-22 to 2023-24 is given in **Table-4.13** below:

Table-4.13: Details of Outstanding Electricity Dues

		(₹ in crore)		
Sl. No.	Particulars/ Years	2021-22	2022-23	2023-24
1	Opening Balance	2258.15	2297.48	2201.13 ²⁵
2	Revenue Billed	7838.63	8911.79	9990.86
3	Total recoverable dues (1+2)	10096.78	11209.27	12191.99
4	Dues Realised	7692.58	8821.75	9904.86
5	Dues waived off	106.72	185.99	38.50
6	Balance at the end of the year (3-4-5)	2297.48	2201.53	2248.63

Source: Information provided by UPCL.

The detailed audit findings on revenue realisation and collection efficiency are discussed in the succeeding paragraphs:

(i) Collection Efficiency Ratio

The Collection Efficiency Ratio²⁶ (CER) represents the efficiency and effectiveness of the dues recovery processes of the entity on a periodic basis. With respect to the DISCOMs, a higher ratio represents that there are well-established procedures for recovery mechanisms and sales of the DISCOMs are being channeled through metered connections. On the contrary, a lower ratio represents a lenient approach in recovering the dues from the consumers and lack of stringent measures to deal with the defaulting consumers.

²⁵ There was an adjustment of ₹ 0.40 crore in the commercial dairy in RTS-4.

²⁶ Working of Collection Efficiency Ratio as formulated by UERC in Tariff order 2022-23= Realisation of (Current Assessment + Arrears) / Current Assessment.

Audit noticed that the overall achievement of CER at the UPCL level was closer to the prescribed yearly targets of Collection Efficiency as depicted in **Chart-4.7**. However, an analysis revealed that 44 per cent to 67 per cent of total EDDs (excluding those situated in hilly areas) could not achieve the prescribed targets of 99.15 per cent during 2021-22 to 2023-24. The details of collection efficiency targets not achieved by the EDDs are given in **Table-4.14** below:

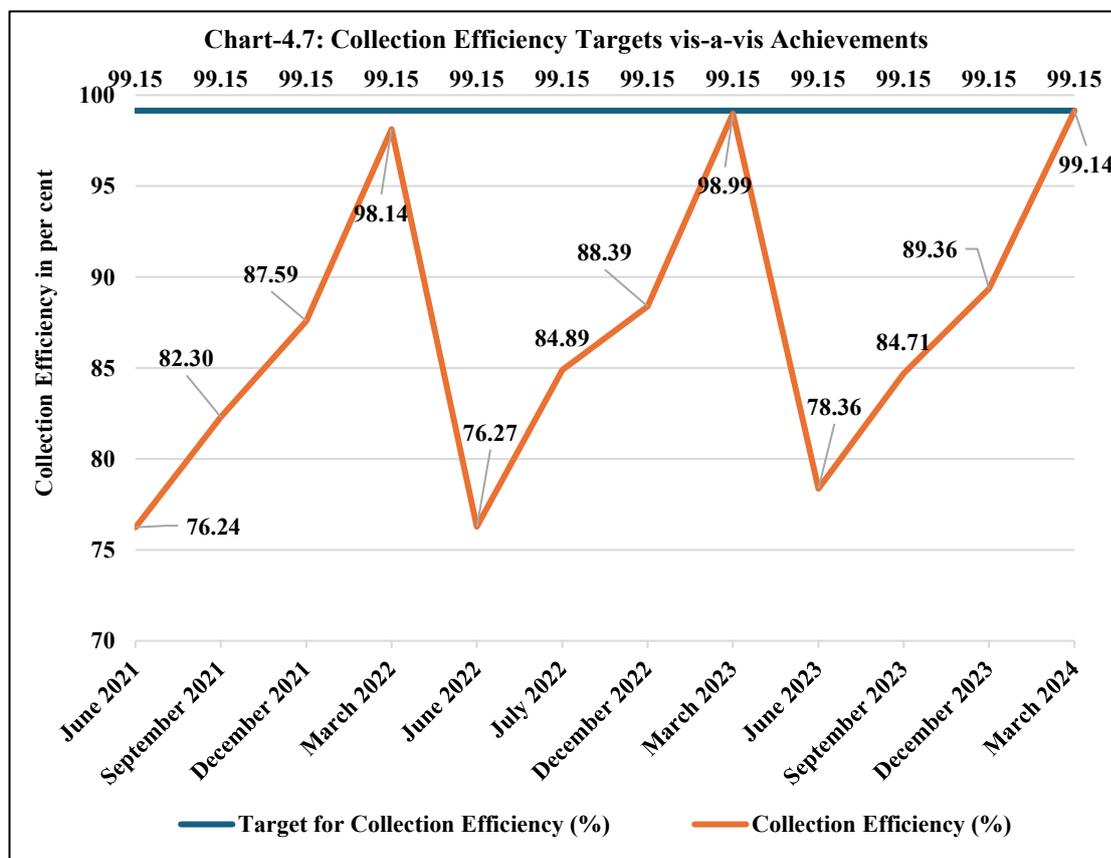
Table-4.14: Statement of non-achievement of Collection Efficiency Targets

Year	No. of EDDs which could not achieve targets / Total EDDs (other than hilly areas)	Top five EDDs and their CER (in per cent)
2021-22	18 / 27	Vikasnagar (87.45), Haldwani Urban (91.71), Haridwar-Urban (93.98), Roorkee-Urban (94.17) Rudrapur-II (94.19).
2022-23	12 / 27	Laksar (83.87), Central-Dehradun (91.21), Roorkee-Urban (92.79), Rudrapur-II (93.62), Haldwani Urban (93.93).
2023-24	15 / 28	Laksar (84.33), Vikasnagar (94.84), Ramnagar Roorkee (94.04), Jwalapur (94.19), Haldwani Urban (95.28).

Source: Information provided by UPCL.

It may be seen from the above Table that during the year 2023-24, 15 EDDs were not able to meet collection targets (including EDD Laksar, and EDD Haldwani Urban which were not able to meet the targets in previous years also).

Further, quarter-wise analysis of targets *vis-à-vis* achievements there-against during the year 2021-22 to 2023-24 is depicted in the **Chart-4.7** below:



Source: Information provided by UPCL.

It may be seen that CER has been lower than the targets and on a cyclical basis, which has been close to the targets during the year end in each of the years 2021-22 to 2023-24. This was especially due to revenue collection drives carried out by the EDDs during last quarter of the aforesaid financial years.

The Management stated (November 2024) that revenue realisation camps were being organised. The digital and print media were being used to create awareness among consumers regarding digital /online payment methods.

(ii) Poor Collection Efficiency during the initial months of the year

Records revealed a general trend of poor collection in the initial months of the financial year, which gradually increased in the latter part of the year. Top five EDDs with poor monthly CER during the first six months of the year 2021-22 to 2023-24, are given in (Appendix-4.7) and summarised in Table-4.15 below:

Table-4.15: EDDs with poor collection efficiency during the initial six months of the year

(in per cent)

Sl. No.	Name of Divisions	Range of CER during the period April to September		
		2021-22	2022-23	2023-24
1	Vikasnagar	38.82 - 68.74	49.19 - 78.88	50.65 - 69.09
2	Haldwani (Urban)	31.46 - 55.58	39.28 - 62.77	41.08 - 65.05
3	Ramnagar (Roorkee)	49.63 - 74.68	45.00 -74.97	43.86- 77.12
4	Roorkee (Urban)	34.97 -72.28	55.52 - 76.80	55.52 - 77.07
5	Haldwani (Rural)	30.35- 68.87	42.69 - 82.80	47.82 - 79.33

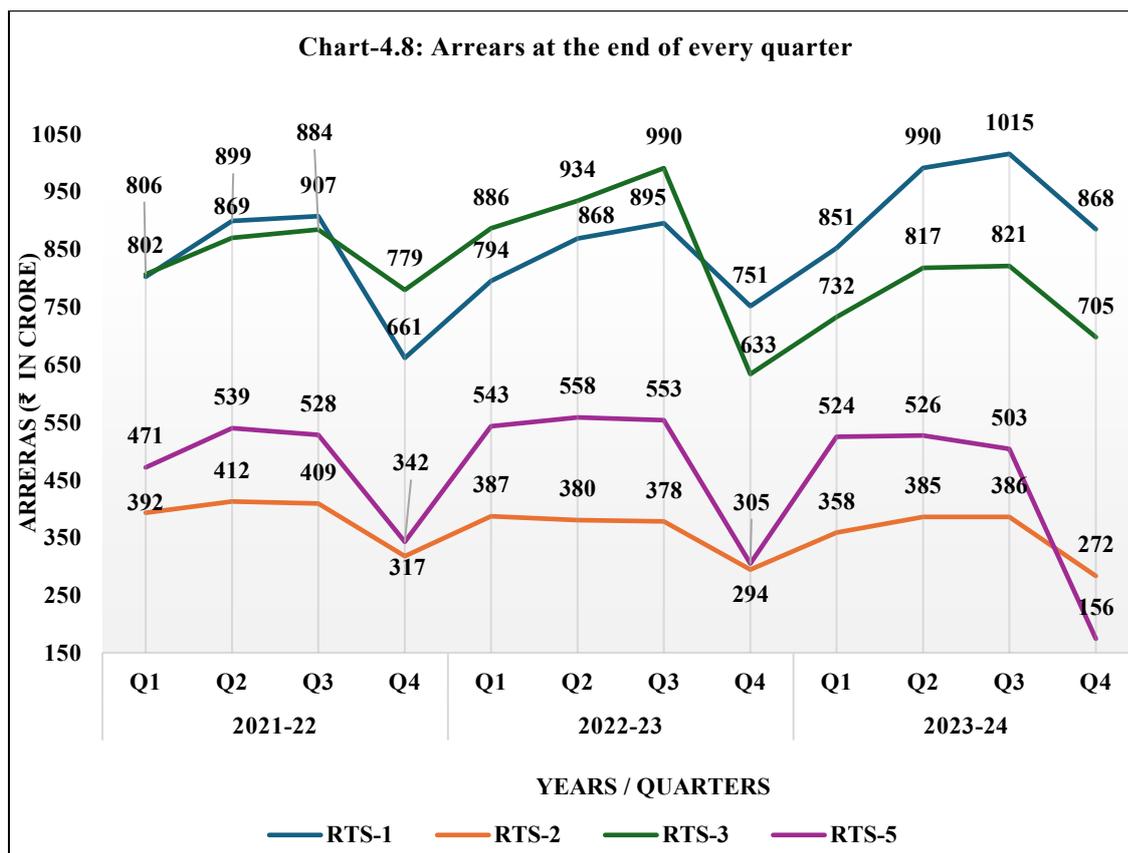
Source: information provided by UPCL.

The UERC, in its order (31 March 2022) on Multi-Year Tariff for the year 2022-23 to 2024-25, has also expressed concern towards poor collection efficiency during the initial six months of the year and sought an action plan for the same from the UPCL. In this regard, on the further directions (March 2024) of the UERC, UPCL constituted (September 2024) a Committee of Directors for reviewing and monitoring the division wise collection and loss reduction performance and suggesting measures to improve these parameters.

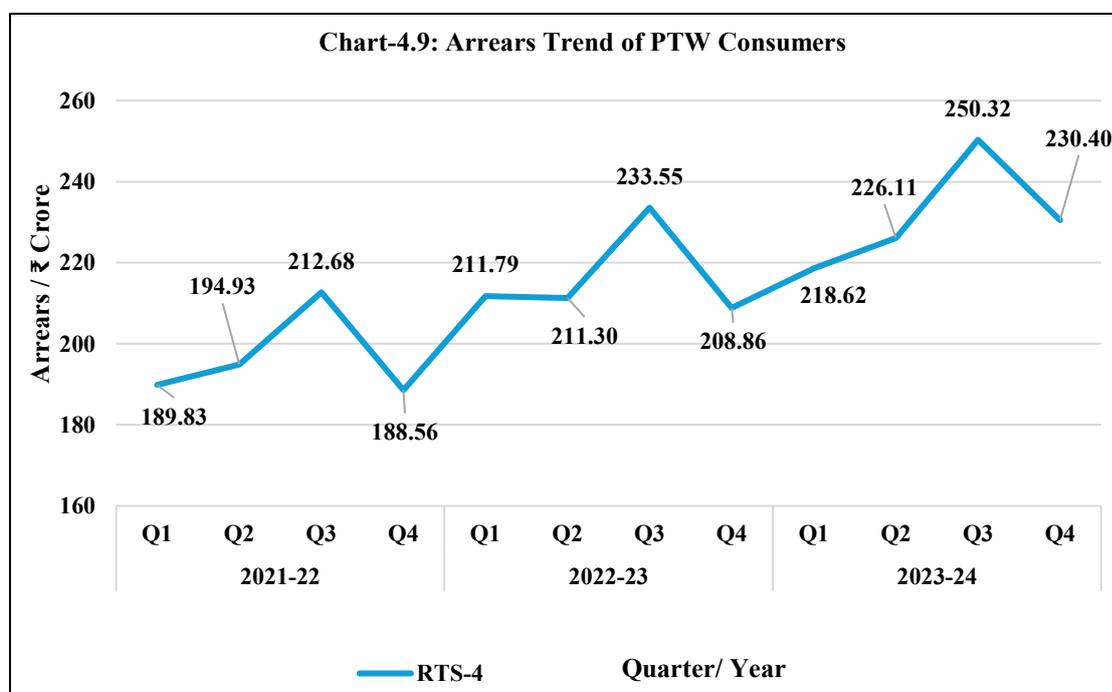
(iii) Trend Analysis of Revenue Realisation and Arrears

The trend analysis of the revenue realisation²⁷ indicated that the outstanding dues/ arrears were minimum at the end of the last quarter of the financial year 2021-22 and 2022-23, which rose gradually & steadily for the rest of the three quarters and again dipped in the fourth quarter as detailed in Appendix-4.8 and depicted in Chart-4.8 below:

²⁷ Relating to consumers (RTS-1, RTS-2, RTS-3, RTS-4 and RTS-5).



It can be seen that the arrears against the RTS-4 (Private Tube Wells) have been on an increasing trend (₹ 189.93 crore to ₹ 230.40 crore), indicating an increase of 21 per cent during 2021-22 to 2023-24 as depicted in **Chart-4.9** below:



Source: Information provided by UPCL.

The above also indicated that the revenue realisation from PTW consumers was not being done effectively.

The Management stated (November 2024) that weekly review meetings were being conducted to monitor the cash inflow and subsequently the connections of defaulter consumers were being disconnected and processed under Land Revenue Act, 1958 while issuing notices under Section-3 and Section-5. It was also stated that an interface named MD Dashboard had been developed to regularly review and monitor various commercial parameters like Revenue Realisation, Billing Efficiency, AT&C loss etc. at division and circle level.

(iv) Arrears exceeding the Security Deposit by ₹ 769.10 crore

Clause 6.1 of the UERC (Supply Code) Regulations, 2020 provides for disconnection of power supply to the consumers in case of default of dues within the permissible time, or extended time. Further, Clause 4.2 of the said Regulations requires UPCL to review the consumption pattern of the consumers in April every year for the adequacy of the security deposit (SD²⁸) and to work out the Additional Security Deposit (ASD) required from the consumers based on the consumption during the previous year. Any default in payment of dues on account of ASD is to be treated as non-payment of licensee's dues rendering the consumer liable for TD followed by PD after due notice. Accordingly, UPCL was required to take timely action for disconnection of the defaulted consumers to avoid accumulation of dues. Further, as per the prudent financial management, such dues should not be allowed to accumulate beyond the available SD.

Audit observed that UPCL did not take timely action for disconnection of the defaulted consumers and, in turn, allowed the consumers to accumulate their dues, in contravention to the provisions of Clause 6.1. An analysis of outstanding dues (above ₹ 5,000 consumer) revealed that, in respect of 2.87 lakh consumers, the arrears also exceeded SD available with UPCL. The category-wise details of such consumers are given in **Table-4.16** below:

Table-4.16: Statement of outstanding dues exceeding Security Deposit

RTS	No. of (live) consumers	Amount (₹ in crore)		
		Outstanding dues	Available SD	Outstanding dues over & above SD
RTS-1 (incl. 1A): Domestic consumers	2,34,780	577.32	17.52	559.80
RTS-2: Non-Domestic Consumers	33,025	113.28	11.29	101.99
RTS-4 (incl. 4A): Private Tube Wells	1,81,64	77.07	1.69	75.38
RTS-5²⁹: Industries	913	44.82	12.89	31.93
Total	2,86,882	812.49	43.39	769.10

Source: Information provided by UPCL.

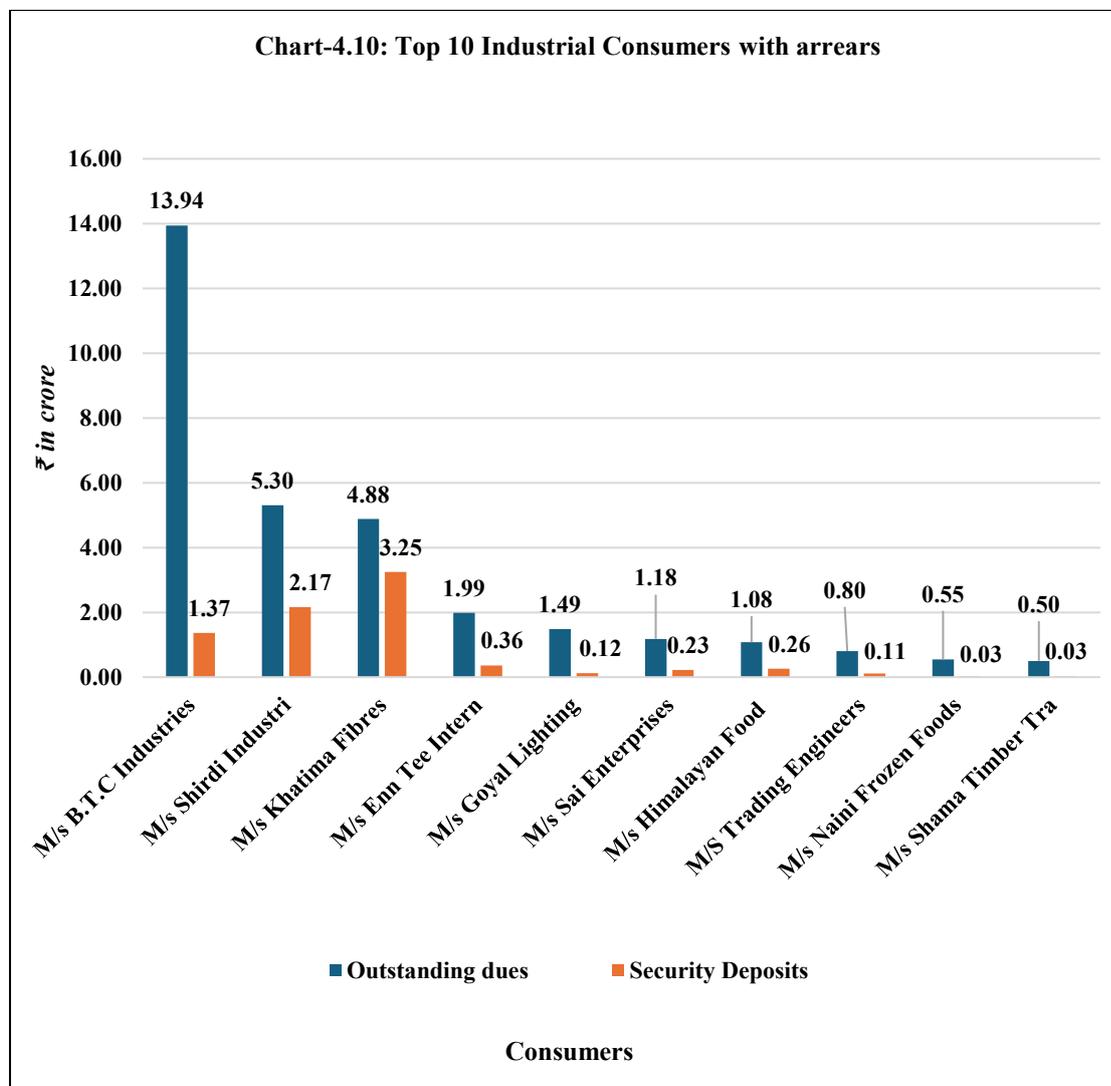
Thus, it may be seen that lack of timely action by UPCL led to accumulation of the dues by ₹ 812.49 crore. Since the outstanding dues exceeded the available SD by

²⁸ A consumer is required to maintain a sum equivalent of estimated average consumption of N+1 months of previous financial year or the existing SD whichever is higher. Here, N is number of months in a billing cycle approved in the Tariff Order.

²⁹ erstwhile RTS-7.

₹ 769.10 crore, this exposed UPCL to the significant financial risks, as discussed in the succeeding paragraphs.

Further, analysis of RTS-5 (erstwhile RTS-7) i.e. industrial consumers revealed that 74.48 per cent of the arrears (₹ 23.78 crore) were represented by top 10 (out of 913) consumers. as depicted in **Chart-4.10** below:



The above analysis indicates that recovery from the defaulters had not been monitored diligently by the EDDs and their higher offices including Circles/ Zonal offices and the UPCL Headquarters. As a result, the arrears have exceeded the amount of SD available with UPCL. A few cases of defaulters are discussed below:

Audit scrutiny revealed that:

- Industrial consumer M/s Uttaranchal Iron & Spat Ltd. (USIL) (connection no. KT0K00000909) was allowed to accumulate the electricity dues and exceed them over and above the amount of security deposit (SD: ₹ 1.07 crore) available with UPCL. The arrears were accumulated to ₹ 5.06 crore (July 2019), and rose to ₹ 7.62 crore (January 2020), and stood at ₹ 6.71 crore (March 2023).

- Despite continuous defaults/ partial payments against the dues, M/s USIL was allowed to pay the arrears through instalment facilities seven times one after another during the period April 2016 to July 2022. The details of instalment facilities granted during the years 2019-20 to 2022-23 are given in **Table-4.17** below:

Table-4.17: Statement of instalment facilities granted to M/s USIL

Year	Date of granting facility	Instalment facility Amount (₹ in crore)	No. of installment allowed	Status/ Arrears (31 March 2024)
2019-20	21-01-2020	6.35	12	Industrial Unit Closed in February 2024. Arrears: ₹ 8.12 crore
2021-22	19-06-2021	9.51	24	
2022-23	20-07-2022	5.7	29	

- Audit raised the issue of defaults of dues by M/s USIL through the Inspection Reports in July 2018, September 2021 and thereafter in April 2023. However, the consumer was allowed to continue with partial payments/ defaults and no strict action was taken as per the Regulations.
- The power supply to the consumer was disconnected temporarily for about 10 times (last TD in January 2024 at the dues of ₹ 8.12 crore). However, the supply was restored without recovering the full amount of arrears.
- The premises of the consumer were taken in possession by the Indian Overseas Bank (IOB) against the dues of ₹ 32.73 crore and process of auction was underway (February 2024).

In view of the seizure of the premises by the IOB and the premises falling in the SIDCUL area, the chances of recovery of UPCL dues (₹ 8.12 crore) are extremely remote.

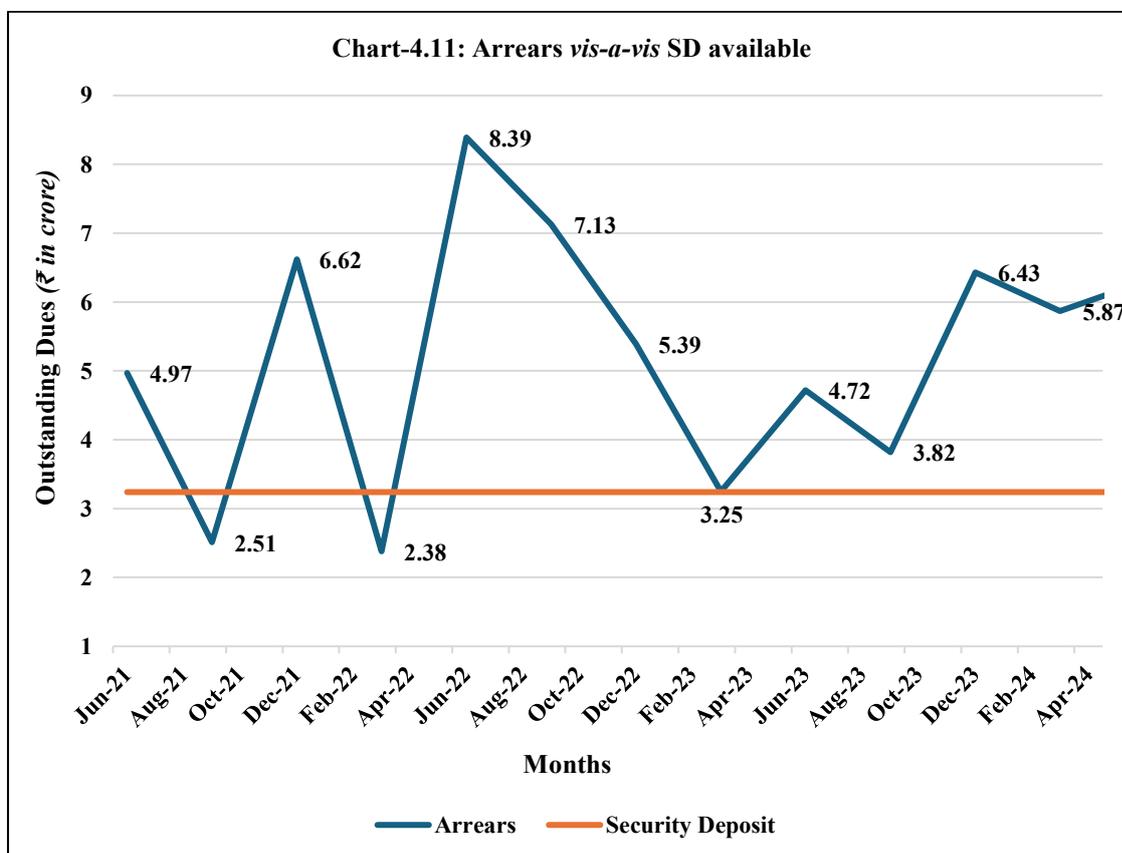
In another instance, it was noticed that:

- Industrial consumer M/s Khatima Fibers Ltd (connection No. KH0K000003327) was allowed to accumulate electricity dues beyond the Security Deposit. The dues were accumulated to ₹ 6.99 crore (October 2019), rose to ₹ 8.66 crore (July 2022) and stood at ₹ 5.87 crore (March 2024).
- The consumer was facilitated with instalments facilities eight times during the period June 2017 to July 2022. The details of instalment facilities granted during the years 2021-22 to 2023-24 are given in **Table-4.18** below:

Table-4.18: Statement of installment facilities granted to M/s Kahtima Fibers Ltd.

Year	Date of granting facility	Instalment facility Amount (₹ in crore)	No. of installment allowed	Status/ Arrears (31 March 2024)
2021-22	27-05-2021	4.32	6	Consumer has been under CIRP ³⁰ since October 2023. Arrears: ₹ 5.87 crore
	28-12-2021	2.09	4	
2022-23	08-07-2022	6.45	10	

- Audit raised the issue of defaults by M/s Khatima Fibers Ltd. through the Inspection Report in April 2023. However, no strict action was taken as per the Regulations against the consumer.
- The trajectory of arrears, SD available and instalments in respect of M/s Katima Fibers Ltd. during the period 2021-22 to 2023-24 is depicted in **Chart-4.11** below:



- Subsequently, UPCL learned that the consumer was brought (22 October 2023) to the Corporate Insolvency Resolution Process (CIRP) under the Insolvency & Bankruptcy Code 2016 by the financial creditors/ lenders. As a result, UPCL revenue to the extent of ₹ 4.65 crore (as pre-CIRP dues) got stuck with CIRP

³⁰ Corporate Insolvency Resolution Process.

process indicating negligible³¹ chances of recovery. Overall dues stood at ₹ 7.63 crore (31 March 2025).

Therefore, it is evident that allowing arrears to swell beyond the security deposit and benefiting the above consumers with the installment facilities multiple times was against the financial and commercial interest of UPCL.

The Management, while accepting the audit observation, stated (June 2024 and November 2024) that all the field units had been directed to identify all such connections where arrears have surpassed their Security Deposit available with UPCL

and act against them as per the Regulations.

Recent developments towards recovery of ASD

Earlier in January-February 2023, the matter of non-recovery of ASD was also pointed out by Audit, forming part of Inspection Report issued to UPCL in April 2023.

On the petition filed (March 2023) by UPCL, the UERC allowed (November 2023) UPCL to recover the dues towards ASD in maximum 12 equated monthly instalments by adding the amount of outstanding ASD in the monthly electricity bill, resulting in robust recoveries from April 2024.

The Management stated (November 2024) that UPCL recovered/ adjusted in bills ₹ 181.08 crore in FY 2024-25 (till October 2024) towards ASD.

Management's action towards recovery of ASD is acknowledged. However, the directions issued by the UPCL earlier, had not yielded the intended results, as observed in the cases of industrial consumers M/s USIL and M/s Khatima Fibers Ltd., where substantial revenue had become irrecoverable. In addition, no alerts have been created in the

billing system to facilitate senior management in reviewing such cases on a regular basis.

(v) Loss of ₹ 0.37 crore due to wrong claim of post-CIRP dues

The arrears against the electricity consumers, brought to the CIRP by the creditors/lenders under the Insolvency and Bankruptcy Code (IB Code) 2016 are dealt with Section 53 of the Code which, inter alia, provides for a waterfall mechanism³² detailing the order and priority of distribution of proceeds from sale/ liquidation of a corporate person.

Since the operational creditors are accorded lower priority in the distribution mechanism, chances of recovery of anything towards the electricity dues are negligible.

Section 5(13) read with Section 14(2) and Section 14(2A) of the IB Code, *inter alia*, defines CIRP cost as any costs incurred by the resolution professional (IRP/RP) in running the business of the Corporate Debtor (CD) (*in UPCL context, the electricity consumer who has been brought under the insolvency process and represented by the*

³¹ The pre-CIRP electricity dues fall quite lower in the waterfall mechanism of distribution of proceeds from insolvency process, the possibility of recovery of the same was remote.

³² Priority: 1st: IRP Cost, 2nd: workmen's dues-24 months & debts owed to a secured creditor, 3rd: wages of employees-12 months, 4th: financial debts-unsecured creditor, 5th: Govt dues, and 6th: remaining debts including operational creditors, followed by 7th: shareholders.

IRP/RP) as a going concern, and that the supply of essential goods or services shall not be terminated, suspended or interrupted during the period of moratorium, except where such CD has not paid dues arising from such supply during the moratorium period or in such circumstances as may be specified.

Accordingly, post CIRP electricity dues are recoverable from the concerned IRP/RP.

An industrial consumer namely M/s Pallet Energy System (P) Limited (connection number BH0K0000026612) under jurisdiction of the EDD Bhagwanpur was under CIRP process *w.e.f.* 20 July 2018. Accordingly, an Interim Resolution Professional (IRP) was appointed to look after the day-to-day operations of the CD. The PD of the supply of the consumer was done on 24 September 2022.

The IRP/RP sought information relating to the post-CIRP dues from UPCL, accordingly, UPCL worked out total recoverable dues of ₹ 2.82 crore (₹ 0.37 crore pertaining to the pre-CIRP period and ₹ 2.45 crore as post-CIRP period) against which security deposit of ₹ 0.43 crore was already available with UPCL. However, it claimed ₹ 2.02 crore only as post-CIRP dues after adjusting the available security deposit of ₹ 0.43 crore from the post-CIRP dues.

Audit observed that the available security deposit of ₹ 0.43 crore was required to be adjusted first towards dues of 0.37 crore of pre-CIRP period and the balance of ₹ 0.6 crore should have been adjusted to the post-CIRP dues of ₹ 2.45 crore. Hence, ₹ 2.39 crore should have been demanded from the IRP/RP.

Accordingly, the post-CIRP dues of ₹ 2.02 crore as claimed by UPCL were paid (May 2023) by the IRP. Thus, due to incorrect adjustment of available SD, UPCL suffered a loss of ₹ 0.37 crore.

The Management stated (November 2024) that a committee consisting of three members had been constituted to review the case and submit the enquiry report for taking further necessary action.

The outcome/ enquiry report of the Committee was awaited.

(vi) Granting instalment facilities to consumers without due diligence

As per the revised internal policy framed (May 2017) by UPCL for granting the instalment facility to the consumers having pending electricity dues owing to their special circumstances, the consumers were to be allowed to pay their dues in maximum 12 instalments. The terms of granting instalment facility, *inter alia*, provided that, in case of default in payment of the instalments, the facility of paying the dues in instalments was to be terminated immediately.

However, there were six instances (including consumers, M/s Uttaranchal Iron & Ispat Ltd. KT0K000000909, and M/s Khatima Fibers Ltd. # KH0K000003327, as discussed in the preceding paragraph, where the industrial consumers were granted the instalment facility more than once. The issue of granting instalment facilities multiple times without due diligence, was raised by Audit through Inspection Report (April 2023) and again followed up during the course of this SSCA.

On being pointed out by Audit, UPCL formulated (January 2024) due-diligence process to be followed while granting instalment facility. The revised policy, *inter alia*, requires the consumers to give Bank Guarantee equivalent to the amount for which installment facility has been sought to minimise the risk and avoid any loss to Corporation.

The Management stated (November 2024) that the policy was placed before the BoD for ratification, however, the BoD directed to re-frame the mechanism to consider other security options also such as, opening of Escrow Bank Accounts and taking Post-dated cheques from consumers with arrears requesting for installment facility. The same is under deliberation before the Management and shall be placed before the BoD in the upcoming BoD meeting.

The Management action towards framing the due diligence process/ mechanism for granting instalment facilities is acknowledged. However, the said mechanism was yet to be ratified by the BoD (January 2025).

(vii) Poor realisation against Revenue Recovery Certificates

UPCL has been mandated to issue notice for recovery of dues under Section-3 of the *Uttarakhand {Uttar Pradesh Government Electricity Undertaking (Dues Recovery) Act, 1958} Adaptation and Modification Order-2002*, followed by forwarding the RRCs to the District Authorities under Section-5 of the said *Order*, for recovery of dues from the defaulting consumers as land revenue.

Details of RRCs issued under Section-5 and realisation of revenue there against during the period 2021-22 to 2023-24 are given in **Table-4.19** below:

Table-4.19: Realisation against Recovery Certificates

Particulars/ Year	Mode of RRC	2021-22	2022-23	2023-24	Total
RRCs issued (Nos.)	Offline	5467	5036	5376	15879
	Online	3041	6895	5393	15329
	Total	8,508	11,931	10,769	31208
Recoverable Dues (₹ In Crore)	Offline	15.66	21.6	19.75	57.01
	Online	8.49	49.47	30.36	88.32
	Total	24.15	71.07	50.11	145.33
Recovered till March 2024 (₹ In Crore)	Offline	1.2	1.62	0.65	3.47
	Online	0.86	5.84	3.68	10.38
	Total	2.06	7.46	4.33	13.85
Per cent recovery	Offline	7.66	7.5	3.29	6.09
	Online	10.13	11.81	12.12	11.75
	Total	8.53	10.5	8.64	9.53

Source: Information provided by UPCL.

It is evident from the **Table** that overall recoveries have been quite poor and the same remained 9.53 *per cent* only during the period 2021-22 to 2023-24. It was further noticed that the recovery against the RRCs issued through online mode (*i.e.* billing module) was slightly higher than those issued in offline mode (*i.e.* issued manually).

Other irregularities pertaining to the RRCs are discussed below:

- A total of 4861 RRCs having recoverable dues of ₹ 12.94 crore were returned by the District Authorities citing reasons *viz.* incomplete address, consumer not traceable, address not found *etc.* No mechanism for follow up of these RRCs was in place and the recovery against these RRCs remained pending as of March 2024.
- Similarly, RRCs were issued to 11 PD consumers (*Appendix-4.9*) whose power supply was disconnected during the year 2020-2021 to 2023-24 but arrears amounting to ₹ 1.95 crore were still outstanding (March 2024). Out of these cases, RRCs against two consumers *viz.* M/s Rudra Auto Tech and M/s Windlas Auto were issued for ₹ 1.05 crore and ₹ 0.17 crore respectively. Audit found that these consumers submitted their GST return during the year 2023-24 which indicates that these consumers were still active and therefore, the arrears could have been recovered through effective follow-up.

The Management stated (November 2024) that directions have been issued to all the field units to take up all such matters with the District Authorities to ensure 100 *per cent* recovery against RRCs and to effectively follow-up cases where RRCs have been returned by the District Authorities.

The fact that recovery against more than 90 *per cent* of the RRCs valuing ₹ 131.48 crore (Issued: ₹ 145.33 less Recovered: ₹ 13.85 crore) pertaining to the period 2021-24 was pending, indicates the need for effective implementation of the management's directions.

(viii) Issuing the Revenue Recovery Certificates manually

UPCL issued 15,879 RRCs with revenue involving ₹ 57.01 crore on manual basis (**Table-4.19**) during the period 2021-22 to 2023-24 and the details of these RRCs were not captured subsequently in the billing system for case wise monitoring of the recovery of revenue against these RRCs by the higher management of UPCL.

Audit noticed (May 2024) that EDD-Bhagwanpur reported to UPCL Headquarters that 252 RRCs worth ₹ 2.65 crore were issued during the year 2021-22 on manual basis. However, two RRCs worth ₹ 8.18 crore (₹ 4.75 crore – M/s Kama Metals & ₹ 3.43 crore- M//s Uttaranchal Steel) issued during March 2022 were not reported by EDD-Bhagwanpur to the higher management of UPCL.

On being pointed out by Audit, the Management issued (November 2024) directions to all the field units to issue RRCs through online mode only and send the status of RRCs issued monthly to the UPCL Headquarters. The Management also stated (November 2024) that all the previously issued RRCs would be captured in billing system for monitoring and follow up.

However, status/ progress towards capturing the offline RRCs into the billing system was not provided to Audit (January 2025).

(ix) Delay in permanent disconnection

Clause 6.1 of the UERC (Supply Code) Regulations, 2020 provides for TD of power supply in case the dues are not paid by the consumer within the grace period or any

such extended period. Further, in case, the dues are not paid within six months of TD, the connection is liable for PD and dismantling of the metering infrastructure from the consumer premises, and issue of RRC to the District Authorities for recovery of dues as land revenue.

In this regard, Audit noticed that there were 16,060 consumers (each having arrears > ₹ 1,000), with corresponding total dues of ₹ 80.12 crore (March 2024), as given in **Table-4.20** below:

Table-4.20: Consumers with pending PDs

(₹ in crore)

Months	No. of consumers/ connections	Outstanding dues (31 March 2024)	SD available	Outstanding dues over and above the SD
6-11	1,548	9.47	0.35	9.12
12-17	3,489	15.74	1.49	14.25
18-24	1,909	11.46	0.38	11.08
>24	9,114	43.45	1.33	42.12
Total	16,060	80.12	3.55	76.57

Source: Information provided by UPCL.

It can be seen that out of 16,060 connections, PD of 14,512 connections with corresponding arrears of ₹ 70.66 crore was pending for 12 months and more. This was in violation of the Regulatory provisions mentioned above, and against the financial interest of UPCL.

The Management stated (November 2024) that it was taking utmost care to recover all types of dues from all consumers and was in process of developing a mechanism to monitor the cases of TD and PD at central level to recover the dues timely, and instructions had been issued to all the field units in this regard.

Audit noticed that the mechanism to monitor the cases of TD and PD at central level and to recover the dues timely was yet to be developed (January 2025).

(x) Disposal of Not billed /Stop Billed connections

The Not billed (NB)/ Stop Billed (SB) are the consumers in respect of whom further bills are not generated or further billing has been stopped. There were 1,61,580 NB/SB connections as of 31 March 2021. The UERC, vide its Tariff Orders (April 2020), directed UPCL to liquidate and finalise at least five *per cent* of the NB/SB cases in each quarter. However, there has been little progress, and the numbers reduced from 1,61,580 (March 2021) to 1,30,362 (March 2024) *i.e.* 19 *per cent* only. The outstanding arrears against 1,30,362 NB/SB cases as of 31 March 2024 stood at ₹ 441.63 crore.

The matter of realisation of dues against NB/SB connections was also raised by the Audit Committee of UPCL in its 71st, 72nd and 77th meetings held on 20 May 2022, 10 June 2022 and 12 December 2022 respectively, and it had shown displeasure over the slow progress in disposal of the NB/SB cases.

The Management stated (November 2024) that because of its efforts, the number of NB/SB cases was brought down to 1,06,489 with dues amounting to ₹ 355.29 crore

(up to November 2024) and regular exercise was also being done to reduce them further by the dedicated Monitoring Cell.

4.1.8.3 Issues related to Internal Control and Monitoring Mechanism

Internal control is *a process, effected by an entity's BoD, Management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.*

Further, the Monitoring activities envisage the exercise of day-to-day oversight and a periodic assessment of performance of the assigned duties and responsibilities by the higher management.

Audit noticed cases indicating weak internal control and monitoring by UPCL management which led to higher distribution losses in certain EDCs/EDDs and ineffective realisation of revenue, in particular, the arrears of dues, non-compliance with the provision of UERC (Supply Code) Regulations, 2020 and complaints to the CGRF and Electricity Ombudsman by the consumers, resulting in loss of potential revenue as discussed in *paragraphs-4.1.8.1* and *4.1.8.2*. Further, the cases attributable to weak internal control and monitoring are also discussed in the succeeding paragraphs:

(i) Repeated violation of the regulatory and legal provisions by UPCL officers/officials

Review of the CGRF and the Electricity Ombudsman orders issued during February 2022 to July 2023 on the consumer grievances indicated that there were repeated mistakes/ violations of the provisions of the Electricity Act, 2003, the UERC Tariff Orders and other relevant UERC Regulations, committed by the field officers of UPCL.

The Electricity Ombudsman through, the judgements/ orders on the consumer grievances, as well as various communications during the year 2021-22 and 2022-23 to the Managing Director of UPCL, Additional Chief Secretary (Energy) and Additional Chief Secretary to the Hon'ble Chief Minister expressed its concern on the repeated mistakes/ violations and impressed upon that these mistakes/ violations by the UPCL officers were detrimental to UPCL interest, and contrary to the protection of justified interest of the consumers.

Analysis of the Ombudsman orders/ communications (*Appendix-4.4*) indicated the need of having a detailed internal Guidelines/ Standard Operating Procedures (SOPs) and conducting trainings/workshops at regular intervals on all the processes and procedures, to be adopted and adhered to by the UPCL's sub-ordinate offices in the field operations. This could help for effective monitoring and supervision by the higher Management and minimise the consumer grievances.

The Management stated (November 2024) that the electricity distribution business, these days, is regulated by the CERC/ SERC and these Commissions issue Regulations/ Orders on consumer related service matters. Presently, UERC (Supply Code) Regulation, 2020 and UERC (Standard of Performance) Regulations, 2022 are applicable, which cover almost all the consumers' related services/matters and detailed

procedures/methodology have been specified dealing with each consumer service. It was also stated that UPCL had circulated these Regulations to its field units and timely compliance of the same is ensured.

The reply is not acceptable, as impact of compliance with the Regulations/Orders was not visible on records as discussed in **paragraph-4.1.8.1**. Further, the Electricity Ombudsman had repeatedly pointed out violation of regulatory provisions. The way UPCL being a DISCOM foresees the challenges in smooth and effective implementation of these Regulations/orders and the manner in which the same are to be dealt with by the field units in different situations, may be institutionalised through the structured internal guidelines / SOPs etc.

(ii) Segregation of recoveries against the internal checkings and Vigilance Cell raids

The meter checkings are performed by the UPCL field officers and through outsourced agencies from time to time. The cases of theft/ unauthorised use of electricity (UUE) and other irregularities found during the checkings are dealt with by lodging FIRs and raising assessments wherever required as discussed in **paragraph-4.1.8.1**.

Similarly, the Vigilance Cell of UPCL also conducts raids based on its plan and inputs from the public. The cases of theft/ UUE detected by the Vigilance Teams are subsequently handed over to the EDD concerned which, in turn, works out the assessment to be raised and ensures recovery as discussed in **paragraph-4.1.8.1**.

Audit noticed that there was no mechanism to segregate the impact/ value of the recoveries against the internal checking and that of the Vigilance Cell. Further, no response was provided by UPCL on the status of the assessments raised by UPCL exclusively out of the Vigilance Cell raids and realisations there against.

Audit is of the view that an IT based system is required to be instituted to track and distinguish the checking by the UPCL field officers/ through outsourced agencies, and the raids by the Vigilance Cell and to monitor the recoveries there against.

(iii) Levy of penalty for delay in release of new service connections

To ensure timely processing and release of new service connection (NSC), Clause 3.3.3 (17) of the UERC (Supply Code) Regulations, 2020 prescribes penalty³³ payable by UPCL to UERC for delay in release of NSC.

In this regard, it was noticed that penalty on account of delay in release of LT connections stood at ₹ 7.70 crore for the period from September 2021 to March 2024 against which UPCL deposited ₹ 0.05 crore (up to March 2024) to UERC. Therefore, the net payable penalty remained ₹ 7.65 crore for the said period.

Further scrutiny of records revealed that the UERC rejected UPCL petitions for waiver of LT connections penalty in absence of the recorded reasons for delay in release of NSC and lack of documentary evidence. Further, the Director (Operations), UPCL instructed (September 2022) the field units to provide reasons of delay and emphasized

³³ If the Licensee fails to provide new (LT) connection to an Applicant within the period specified, he shall be liable to pay penalty @ ₹5 per ₹ 1000 (or part thereof) of the amount deposited by the Applicant subject to a maximum of ₹1000 for each day of default.

to recover the penalties from the concerned officers responsible for non- excusable delay. However, no progress was noticed, and such penalty amounted to ₹ 3.92 crore during the year 2023-24.

The Management stated (November 2024) that delays in NSC were due to Right of Way, land disputes, and delayed fee payments *etc.* and that field officers were directed (May 2024) to comply with the prescribed time limits and maintain records of reasons for delay.

Audit observed that the reasons of delays were not documented, and as a result, UPCL continued to suffer penalties against delay in release of new service connections.

(iv) Deployment of surplus/ deficient manpower in certain field units

The Sanctioned Strength (SS) of the Human Resources of UPCL was approved by GoU in a piecemeal from time-to-time up to the year 2016. Accordingly, against the SS of 8,579 officers/ officials, the UPCL Men-In-Position (MIP) stood at 2,443 officers/officials. Further, 3685 personnel were engaged (31 March 2024) from Uttarakhand Purv Sainik Kalyan Nigam Limited and Self Help Groups (November 2023) and field units also engaged outsourced/contractual manpower for day to day maintenance activities.

Records revealed that:

- The SS in respect of number of newly/ recently created Units { e.g. EDD Nainidanda, EDD Dharchula, EDD Jwalapur, EDD Kiccha, EDD Ramnagar (Roorkee), EDD Doiwala, EDD Mohanpur, EDD Rural Roorkee, EDD Rudrapur II, EDD Bhagwanpur and Chief Engineer (Distribution)-Haridwar Zone} were marked Nil which indicates that SS of these Units was yet to be determined.
- There was overstaffing /surplus officers/officials in 11 Units located mostly in urban areas, with a total of 68 officials (including AEs-06 and JEs-43) (***Appendix-4.10***) including posting of 17 JEs against sanctioned strength of 7 JEs in ETD Urban Dehradun. Further, four Units mostly located in hilly/ rural areas had shortfall of 59 officials (***Appendix-4.11***) (including AEs-02 and JEs-31).

The Management accepted the audit observation and stated (November 2024) that a Committee had been constituted to study the approved manpower/staff structure in UPCL, and the concerned Chief Engineers (Distribution) have been requested to prepare a suitable proposal for rationalization and proper deployment of surplus manpower as per the sanctioned strength & work requirement and assess the shortage of personnel in concerned Zone offices, Circles, Divisions, Sub-Divisions, Test labs, Workshop *etc.*

(v) Inadequate Inspection of Divisions by the Superintending and Chief Engineers

With a view to enhancing the efficiency of working and identifying shortfalls / errors at the initial stages, the Director (Operations), UPCL directed (February 2021) all the Chief Engineers (Distribution) and Superintending Engineers (Distribution) to ensure

inspection of at least one Division under their jurisdiction, every month and provide inspection report to the Corporate Office based on a 20 point criteria contained therein.

Accordingly, as per the MIP, each EDD was required to be inspected once and thrice by the CE and SE respectively in a year. As per the documents provided by UPCL, the details of inspection carried out by the CEs during the period 2021-22 to 2023-24 are given in **Table-4.21** below:

Table-4.21: Statement of Inspection carried out by CEs

Year	Number of EDD	No. of EDDs Inspected	Shortfall in inspection of divisions	Shortfall (per cent)
2021-22	44	16	28	63.64
2022-23	45	7	38	84.44
2023-24	46	9	37	80.43
Total	135	32	103	76.30

Source: information provided by UPCL.

It may be seen from the above Table that during the period 2021-22 to 2023-24, there was a significant shortfall in the inspection of the EDDs by the CEs, which ranged from 64 per cent to 84 per cent during the said period. Further, the details/ records of inspection of EDDs carried out, if any, by the SEs during the period 2021-22 to 2023-24 were not provided to Audit.

The Management stated (June 2025) that the inspection directives were issued as a part of measures to restore and streamline operations that had suffered due to disruptions caused by the COVID-19 pandemic, and that inspection details are available in the respective field offices. The Management added that instructions have been issued from time to time to field officers to strengthen regional operations and that compliance is generally ensured. However, documentation of inspections is not always feasible.

In the absence of the records of inspection of EDDs by the SEs for the period 2021-22 to 2023-24, Audit could not ascertain adequacy of inspections

4.1.9 Conclusion

- UPCL has not been able to contain the distribution losses due to billing inefficiencies and theft of energy *etc.* Among the loss-making Units, EDDs located in Roorkee, Laksar & Rudrapur were the apparent outliers with continuous poor performance in terms of loss of energy and resultant poor billing efficiency. For achieving greater billing efficiency, implementation of the smart metering was one of the essential measures. However, there was a significant delay in implementing the smart metering project.
- UPCL did not designate an officer of the DGM/ SE rank to oversee the operations related to raids and revenue inspection.
- For detecting and preventing theft of power, setting up of the dedicated Police Station in the theft prone areas of Haridwar and US Nagar was pending at the level of GoU for more than five years.

- The Vigilance Cell lacked sufficient Police officials throughout the period of three years covered under SSCA and the key positions of the Dy. SP and Sub-Inspectors remained vacant.
- Continuous provisional billing, which was a source of leakage, was allowed for more than two billing cycles. Further, the provisions related to the contracted load violation by domestic consumers, and non-domestic consumers were implemented only after being pointed out by Audit.
- Lack of monitoring, supervision and concerted efforts towards recovery of dues resulted in arrears surpassing the security deposit available, compromising safeguards against these arrears. Providing instalment facilities to certain consumers multiple times without due diligence was among reasons for arrears to have accumulated.
- Recovery against the RRCs issued to the district authorities through online and offline mode, remained poor and there was no mechanism to follow up the same. The RRCs returned by the District Authorities for want of complete address indicated that the address of the consumers was not mapped properly in the billing system.
- UPCL was continuously penalised for the delay in releasing new service connections. Internal Control and Monitoring was inadequate and ineffective. Further, proper efforts towards training/sensitizing the officers and staff towards the legal/regulatory provisions were not made.

4.1.10 Recommendations

- 1. Uttarakhand Power Corporation Limited may expedite and prioritise smart metering in the theft prone areas and ensure regular rotation of the officers and employees in the Electricity Distribution Circles/Divisions with higher distribution losses.**
- 2. Government of Uttarakhand may expedite setting-up the dedicated Police Stations in the theft prone areas and strengthen Vigilance Cell through adequate manpower (including Police officials).**
- 3. Uttarakhand Power Corporation Limited may ensure that the Chief/ Superintending Engineers conduct the inspections at the prescribed timeline, and submit inspection reports on Electricity Distribution Divisions, and action is taken on these reports. Further, Uttarakhand Power Corporation Limited may designate a Deputy General Manager/ Superintending Engineer rank officer to oversee the raids and revenue inspections.**
- 4. Government of Uttarakhand may direct Uttarakhand Power Corporation Limited to restrict provisional billing to a maximum of two billing cycles and to resolve cases of Not Billed/ Stopped Billed consumers in a timely manner.**

5. *Uttarakhand Power Corporation Limited may prioritise entering the details of Revenue Recovery Certificates issued offline into the billing module to enhance follow up.*
6. *Uttarakhand Power Corporation Limited may develop a mechanism for effective implementation of the Regulations of Uttarakhand Electricity Regulatory Commission and orders/ judgments of the Consumer Grievance Redressal Forums & Electricity Ombudsman. It may include preparation of structured internal guidelines/SOPs, etc. and organising training and workshops for its staff.*

Dehradun
The 30 October 2025



(SANJEEV KUMAR)
Accountant General (Audit),
Uttarakhand

Countersigned



New Delhi
The 10 November 2025

(K. SANJAY MURTHY)
Comptroller and Auditor General of India

