

# **CHAPTER–I**

## **Introduction**



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This chapter provides an overview of the Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) schemes, which were launched by the Government of India (GoI) to electrify rural areas and ensure access to electricity for all households. The performance audit examines the achievement of the intended objectives of these schemes, including the electrification of villages, separation of agriculture and non-agriculture feeders, strengthening and augmentation of sub-transmission and distribution systems, and the provision of electricity connections to all households, particularly in remote areas. The performance audit covers the period from 2014-15 to 2022-23. During the audit, records of the Government of Uttar Pradesh (GoUP), Uttar Pradesh Power Corporation Limited (UPPCL), and various Distribution Companies (DISCOMs) were examined. The chapter also outlines the roles and responsibilities of various stakeholders and the audit methodology adopted for conducting the performance audit.

### Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

**1.1** The Ministry of Power (MoP), Government of India (GoI), launched the Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) in December 2014 for rural areas. The scheme included components such as the separation of agriculture and non-agriculture feeders, strengthening and augmenting sub-transmission and distribution infrastructure in rural areas, and metering of distribution transformers (DTs), feeders, and consumers, along with rural electrification. The scheme subsumed the targets of the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) under its rural electrification component, carrying forward the approved outlay of the RGGVY to the DDUGJY.

A Monitoring Committee<sup>1</sup> was constituted in December 2014 under the Chairmanship of the Secretary, MoP, to approve operational guidelines, define the scope of work, sanction DPRs/projects, monitor and review scheme implementation, grant extensions for project execution, and approve additional grants to States. The Rural Electrification Corporation Limited (REC) was designated as the Nodal Agency for the operationalisation and implementation of the DDUGJY under the overall guidance of the MoP. REC was responsible for receiving funds from the MoP and further releasing them to the Utility.

In Uttar Pradesh, the scheme was implemented in four of the five State Electricity Distribution Companies<sup>2</sup> (DISCOMs) under the Uttar Pradesh Power Corporation Limited (UPPCL), excluding Kanpur Electricity Supply Company<sup>3</sup>

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<sup>1</sup> Consisting of Secretary, MoP (Chairman); Special Secretary/ Additional Secretary, MoP; Chairperson, Central Electricity Authority; Principal Advisor (Energy), Planning Commission/Successor organisation; Joint Secretary, Ministry of Finance (Department of Expenditure); Joint Secretary, Ministry of Rural Development; Joint Secretary, Ministry of Agriculture; Joint Secretary, Ministry of New and Renewable Energy; Joint Secretary and Financial Advisor, MoP; Joint Secretary (Rural Electrification), MoP; and Chairman and Managing Director, REC.

<sup>2</sup> Madhyanchal Vidyut Vitran Nigam Limited (MVVNL), Purvanchal Vidyut Vitran Nigam Limited (PuVVNL), Pashchimanchal Vidyut Vitran Nigam Limited (PVVNL), Dakshinanchal Vidyut Vitran Nigam Limited (DVVNL), and Kanpur Electricity Supply Company (KESCO).

<sup>3</sup> As it covers urban area.

(KESCO). A tripartite agreement was signed in July 2016 among the REC, the Government of Uttar Pradesh (GoUP), and the DISCOMs for the implementation of the DDUGJY. As per the scheme guidelines, projects were to be executed on a turnkey basis, with the option to use a partial turnkey or departmental basis in exceptional circumstances, subject to the approval of the Monitoring Committee.

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

**1.2** Recognising the critical role of electricity in human and socio-economic development, the Government of India (GoI), through the Ministry of Power (MoP), formulated the Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) in October 2017. The scheme aimed to achieve universal household electrification by providing last-mile connectivity and electricity connections to all households in rural and urban areas, supported by financial assistance to DISCOMs.

The scope of the SAUBHAGYA scheme includes:

- (i) providing last-mile connectivity and electricity connections to all un-electrified households in rural areas;
- (ii) installing solar photovoltaic (SPV)-based standalone systems for un-electrified households in remote and inaccessible villages or habitations where grid extension is not feasible or cost-effective; and
- (iii) ensuring last-mile connectivity and electricity connections to all remaining economically poor<sup>4</sup> un-electrified households in urban areas. Non-poor urban households were excluded from this scheme.

In Uttar Pradesh, the scheme was implemented in four of the five DISCOMs, excluding KESCO.

### Funding pattern for the schemes

**1.3** The funding mechanisms for the DDUGJY and SAUBHAGYA schemes are outlined in **Table 1.1**.

<sup>4</sup> Economically poor households were ranked in three stages. In the first stage, households meeting 14 exclusion criteria, such as motorised 2/3/4 wheeler/fishing boat, mechanized 3-4 wheeler agricultural equipment, kisan credit card with credit limit of over ₹ 50000, households member government employee, households with non-agricultural enterprises registered with government, any member of households earning more than ₹ 10,000 per month, paying income/professional tax, three or more rooms with pucca walls and roof, owns a refrigerator/landline phone, own more than 2.5 acre irrigated land with one irrigation equipment, 5 acres or more of irrigated land for two or more crop seasons and owing at least 7.5 acres of land or more with at least one irrigation equipment, were automatically excluded and were not to be considered for free electricity connections under the scheme. In Stage-II, households satisfying five inclusion criteria, such as households without shelter, destitute living on alms, manual scavenger families, primitive tribal groups and legally released bonded labour, were eligible for free electricity connections under the scheme. In Stage-III, the remaining households were identified through a seven item binary scoring criteria, using deprivation indicators. The deprivation indicators were households with only one room, kuccha wall and kuccha roof, no adult member between the age of 16 and 59, female headed households with no adult male member between the age of 16 and 59, households with disabled member and no able bodied adult member, SC/ST household, households with no literate adult above 25 years and landless households deriving a major part of their income from manual casual labour.

**Table 1.1: Funding mechanisms of the DDUGJY and SAUBHAGYA schemes**

Agency	Nature of support	Quantum of support in case of other than special category States (Percentage of project cost)
Government of India	Grant	60 per cent
Utility/State Contribution*	Own Fund	10 per cent
Loan (FIs/ Banks)	Loan	30 per cent
Additional Grant from GoI on achievement of prescribed milestones	Grant	50 per cent of total loan component (30 per cent) i.e., 15 per cent
Maximum Grant by GoI (including additional grant on achievement of prescribed milestones)	Grant	75 per cent

**Source: Schemes' guidelines**

*[\*A minimum contribution of 10 per cent by the utility was required. However, the DISCOMs' contribution could go up to 40 per cent, if they opted not to avail loan. In such cases, the maximum additional grant would still be 15 per cent on achievement of prescribed milestones. The loan component was to be provided either by the REC or by other financial institutions/banks.]*

Under the DDUGJY and SAUBHAGYA schemes, the MoP sanctioned ₹ 19,424.21 crore<sup>5</sup> for projects implemented during 2014-15 to 2021-22.

### **Role of various stakeholders**

**1.4** The roles and responsibilities of various stakeholders under the DDUGJY scheme are outlined below:

#### **Monitoring Committee:**

A Monitoring Committee was constituted by the MoP, which was empowered to:

- approve operational guidelines, including the scope of work, and make necessary policy decisions for operationalising various components of the scheme and amendments thereof within the framework approved by the Cabinet Committee on Economic Affairs (CCEA);
- sanction DPRs/projects, and monitor and review the implementation of the scheme;
- grant extensions for project execution in exceptional cases where delays were due to circumstances beyond control, based on merit, on a case-to-case basis, provided there was no cost overrun;
- approve additional grants to States upon achieving specified outcomes; and
- exercise powers vested in the Monitoring Committee constituted under OM No. 44/10/2011-RE (Vol-III) dated 12 September 2013, regarding issues related to the implementation of the erstwhile RGGVY scheme.

#### **Rural Electrification Corporation (REC):**

REC was designated as the Nodal Agency for the operationalisation and implementation of the scheme under the overall guidance of the MoP. The Nodal

<sup>5</sup> Projects under DDUGJY: ₹ 6,946.40 crore (final approval on 03 January 2017, initially approved for ₹ 6,632.99 crore on 18 September 2015); and projects under SAUBHAGYA ₹ 12,477.81 crore (₹ 6,188.24 crore on 27 July 2018 and ₹ 6,289.57 crore on 23 October 2018).

Agency was entitled to a fee of 0.5 *per cent* of the project cost approved by the Monitoring Committee or the award cost, whichever was lower.

The role of the Nodal Agency was to:

- notify the guidelines and formats required for implementation of the project from time to time;
- appraise DPRs before submission to the Monitoring Committee;
- manage all tasks related to convening Monitoring Committee meetings for approvals;
- administer the grant component of the scheme;
- develop a dedicated web portal for submission of DPRs and maintain the MIS of the projects;
- monitor the physical and financial progress of the projects, including the quality of works; and
- deploy third party services or manpower for concurrent evaluation of project implementation.

**Government of Uttar Pradesh (GoUP):**

The GoUP was responsible for the following functions:

- extending the role of the existing State Level Standing Committee (SLSC) for RGGVY projects to empower the committee to recommend projects under DDUGJY;
- making upfront payments of revenue subsidies to the Utility;
- providing support on policy issues related to power distribution in the State;
- providing land for sub-stations and facilitating procurement of other statutory clearances;
- ensuring the implementation of the National Optical Fiber Network (NOFN) component;
- arranging for the Utility's contribution in case the Utility fails to arrange it; and
- furnishing guarantees for the loan component under the scheme in case the Utility is not able to provide any other mode of security.

**State Level Standing Committee (SLSC):**

The existing SLSC constituted for RGGVY projects, chaired by the Chief Secretary, was responsible for recommending projects before their submission to the Nodal Agency. The roles and responsibilities of the SLSC included:

- recommending DPRs (including those for the NOFN component) for approval of the Monitoring Committee after reviewing the physical works covered under the project, and ensuring adequacy of upstream network commensurate with the proposed distribution network and availability of adequate power supply to cater to the load demand of the project area;
- ensuring that there was no duplication or overlap of works with any other GoI scheme such as RGGVY; and

- monitoring progress and quality control, and resolving issues related to implementation of sanctioned projects such as allocation of land for sub-stations, right of way, forest clearance, railway clearance, safety clearance, *etc.*

#### **Utilities (DISCOMs):**

The Utilities were responsible for the following functions:

- preparing the Need Assessment Document/DPRs and submitting the DPRs online to the Nodal Agency, duly recommended by the SLSC;
- implementing the scheme within the scheduled completion period as per the guidelines;
- appointing the Project Management Agencies (PMAs);
- establishing a dedicated project implementation cell at district level and a centralized cell at head office level;
- submitting updated progress of the projects to the Nodal Agency, including periodic updation on the web portal;
- ensuring the availability of power to achieve the target of 24x7 power supply for rural non-agricultural consumers progressively, and ensuring adequate power supply for agricultural consumers; and
- providing any other related information to the Nodal Agency, as and when required.

Under the SAUBHAGYA scheme, the roles and responsibilities of various stakeholders were not specifically mentioned in the scheme guidelines.

#### **Organisational setup of DISCOMs**

**1.5** UPPCL and DISCOMs function under the Energy Department of GoUP, which is headed by an Additional Chief Secretary/Principal Secretary. UPPCL is the holding company of the DISCOMs. The Management of the DISCOMs is vested in a Board of Directors, which includes the Managing Director and four Directors *viz.*, Director (Commercial), Director (Technical), Director (Finance), and Director (Personnel), all appointed by the GoUP.

For the implementation of both schemes, Superintending Engineer heading the Circle offices at each district, was designated as Chief Executing Officer (CEO) and was responsible for supervision of the schemes.

#### **Audit objectives**

**1.6** The Performance Audit was undertaken to ascertain whether:

- (i) Electrification of complete villages was carried out as per DDUGJY, *i.e.*,**
  - a) separation of agriculture and non-agriculture feeders' facility was achieved; and
  - b) strengthening and augmentation of sub-transmission and distribution system in rural areas including metering of DTs/feeders/consumers was achieved.
- (ii) Electrification of households was achieved as per SAUBHAGYA, *i.e.*,**
  - a) provision of last mile connectivity and electricity connections, including free connections, to all remaining economically poor un-electrified households was achieved; and

- b) SPV based standalone systems for un-electrified households located in remote and inaccessible villages/ habitations, where grid extension was not feasible or cost effective, were installed.

(iii) Households connected to power were able to use it and derive the benefits of the schemes.

### Audit criteria

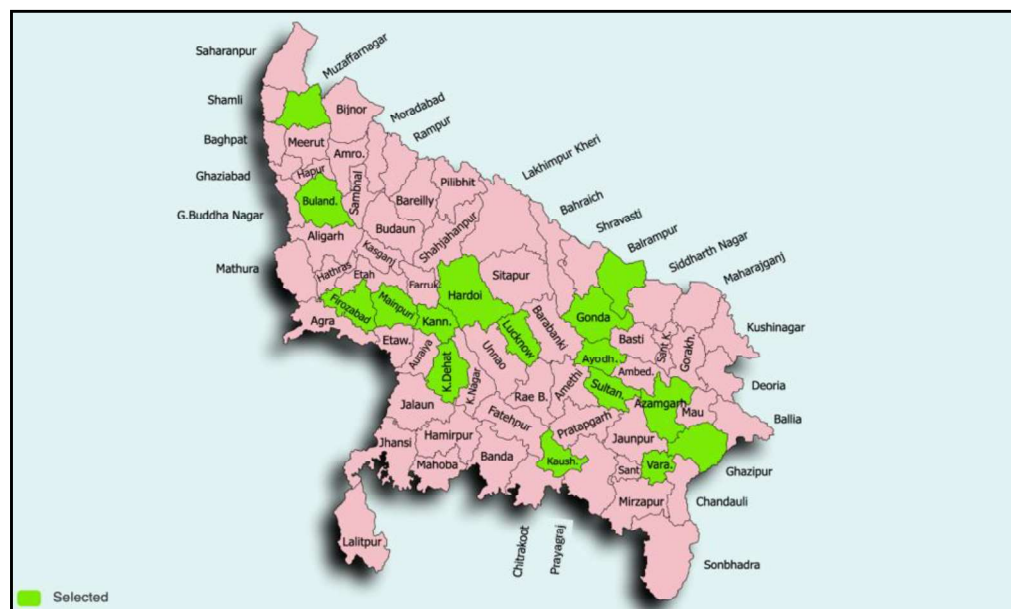
1.7 The audit criteria adopted for examination were drawn from the following sources:

- Scheme(s)' guidelines issued by the MoP.
- Instructions/circulars/orders issued by the MoP, GoUP, SLSC, REC and UPPCL/DISCOMs.
- Electricity Act, 2003; Electricity Supply Code, 2005; General Financial Rules; and CVC guidelines.
- Tripartite agreement among the REC, GoUP, and DISCOMs, and contract agreements executed with contractors.
- Minutes of the Monitoring Committee, SLSC meetings, and BoD meetings of DISCOMs.

### Audit scope, sampling and methodology

1.8 The Performance Audit was conducted from August 2022 to March 2023 to assess the achievement of the intended objectives of DDUGJY and SAUBHAGYA. The audit covered the period from 2014-15 to 2022-23 (up to December 2022) and records at the GoUP level, UPPCL, headquarters of all the four DISCOMs, 21 Circle Offices, and 66 Distribution Divisions were examined. A total of 16 districts<sup>6</sup> (**Appendix-1.1**) were selected based on Simple Random Sampling without Replacement to assess the achievements. The selected 16 districts are depicted in **Chart 1.1**.

Chart 1.1: Details of sample districts



<sup>6</sup> Sultanpur, Gonda, Ayodhya, Hardoi, Lucknow, Balrampur, Ghazipur, Azamgarh, Varanasi, Kaushambi, Bulandshahr, Muzaffarnagar, Firozabad, Mainpuri, Kanpur Dehat and Kannauj.



Further, this report does not cover the observations of the subsumed portion of the 12th Plan RGGVY into DDUGJY, as it was already covered in the CAG's Audit Report (Report No. 2 of 2018 - Public Sector Undertakings, GoUP).

The results of a beneficiaries' survey conducted (August 2021 to October 2021) in 224 villages<sup>7</sup> during the All India PA have also been incorporated into this report. Additionally, a follow-up survey was conducted in January-February 2023 in four villages already included in the 224 villages, to assess the implementation of the schemes and the achievement of intended benefits for the beneficiaries.

An Entry Conference was held on 1 December 2022 with the Energy Department and the Management of UPPCL and DISCOMs, during which the audit objectives, scope, criteria, *etc.*, were discussed. The audit findings were discussed with the Government and Management in an Exit Conference held on 9 January 2024. The replies of the Government (received in December 2023) and Management (received in February 2024) have been suitably incorporated in the report.

### **Acknowledgement**

**1.9** Audit acknowledges the cooperation and assistance extended by the Energy Department of GoUP, and the Management of UPPCL and DISCOMs for facilitating the conduct of the Performance Audit.

<sup>7</sup> Audit had selected 232 villages for conducting beneficiary survey. The survey could not be conducted in eight villages as four villages were not traceable and in the remaining four villages, either the villages were not energised, or no population was found in the village, or the village was merged with Nagar Palika area, or electrified beneficiaries were not found. Thus, the sample for beneficiaries' survey was 224 villages.