

# **EXECUTIVE SUMMARY**



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### Why did we take up this audit?

The Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), launched by the Ministry of Power (MoP), Government of India (GoI) in December 2014, aimed to strengthen rural electricity infrastructure. Its key components included the separation of agriculture and non-agriculture feeders, the augmentation of sub-transmission and distribution systems, and the metering of distribution transformers, feeders, and consumers. The scheme also subsumed the targets of the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) under its rural electrification component.

The Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA), launched in October 2017, focused on universal household electrification. It aimed to provide last-mile connectivity and electricity connections to all rural households, install Solar Photovoltaic (SPV) based standalone systems for remote and inaccessible areas, and connect economically poor urban households.

The schemes were implemented in Uttar Pradesh through four of the five State Electricity Distribution Companies (DISCOMs) under the Uttar Pradesh Power Corporation Limited (UPPCL).

The Performance Audit was undertaken to assess whether complete village electrification, including the separation of agriculture and non-agriculture feeders, as well as the strengthening and augmentation of the sub-transmission and distribution system, and the metering of distribution transformers, feeders, and consumers, was achieved under the DDUGJY scheme. It also examined whether household electrification under the SAUBHAGYA scheme was achieved by providing last-mile connectivity and free electricity connections to economically poor un-electrified households and installing standalone SPV systems in remote and inaccessible areas where grid extension was not feasible or cost-effective. Furthermore, the audit evaluated whether households connected to power were able to use electricity and derive the intended benefits of the schemes.

### What has been covered in this audit?

The Performance Audit, conducted from August 2022 to March 2023, assessed the achievement of the objectives of the DDUGJY and SAUBHAGYA schemes for the period 2014-15 to 2022-23 (up to December 2022). The audit covered records at the Government of Uttar Pradesh (GoUP) level, UPPCL, the headquarters of the four DISCOMs, 21 Circle Offices, and 66 Distribution Divisions, with 16 districts selected through Simple Random Sampling without replacement. Observations related to the 12th Plan RGGVY subsumed into the DDUGJY scheme were excluded as they were covered in the Comptroller and Auditor General of India's (CAG's) Audit Report No. 2 of 2018.

### What have we found and what do we recommend?

Despite the clear mandate to include off-grid connections under the SAUBHAGYA scheme, the DPRs omitted such provisions.

Both schemes provided for the conversion of loans into grants upon achieving prescribed milestones, such as timely project completion, a reduction in Aggregate Technical and Commercial (AT&C) losses, and the upfront release

of revenue subsidy by the State Government. However, delays ranging from 29 to 49 months in project execution, the inability to meet AT&C loss reduction targets, and the inability to claim upfront revenue subsidy based on metered consumption resulted in the DISCOMs not being able to obtain the benefit of conversion of loans totalling ₹ 2,002.61 crore into grants (50 *per cent* of ₹ 4,005.22 crore).

Incorrect and inadequate claims for Goods and Services Tax (GST) and state taxes led to financial discrepancies, including excess claims and unclaimed reimbursements. For instance, Pashchimanchal Vidyut Vitran Nigam Limited (PVVNL) erroneously included GST on departmentally supplied materials, inflating project costs by ₹ 3.63 crore. Consequently, PVVNL made an excess claim of ₹ 1.09 crore (₹ 1.82 crore x 60 *per cent*) towards CGST portion from the Rural Electrification Corporation (REC) and ₹ 1.81 crore towards SGST from the GoUP. Further, due to not claiming State taxes timely, PVVNL could not secure reimbursement of the total State taxes from the GoUP; it was yet to receive ₹ 4.21 crore from the GoUP on account of reimbursement of state taxes (December 2023). *Audit recommends that DISCOMs may ensure accurate assessment and timely claims of taxes from the State Government and the REC.*

Excess loans of ₹ 66 crore availed by Purvanchal Vidyut Vitran Nigam Limited (PuVVNL) led to avoidable interest obligations of ₹ 3.94 crore for the period August 2021 to June 2022. Additionally, payment of interest without verifying the applicable rate by PVVNL resulted in overpayment of interest amounting to ₹ 7.19 crore to REC. *Audit recommends that DISCOMs may thoroughly assess their actual loan requirements and strictly adhere to the agreed terms with the funding agency to prevent excess interest payments.*

According to Scope of Work included in the bid documents for the DDUGJY and SAUBHAGYA schemes, Pre-stressed Cement Concrete (PCC) pole pit should be refilled with boulders of average size of 200 mm mixed with excavated earth in rural areas and that cement concrete grouting should be applied to double poles, triple poles, cut point poles, DT substation poles, and poles erected in waterlogged areas, similar to H-Beam and Tubular poles. However, DISCOMs incorporated the work of cement concrete grouting for all PCC poles in the Bill of Quantity (BoQ). This led to avoidable execution of cement concrete grouting of 12.75 lakh single PCC poles (₹ 125.35 crore) under the DDUGJY scheme and of 11.66 lakh single PCC poles (₹ 277.09 crore) under the SAUBHAGYA scheme.

Besides, payments for the preparation of DPRs were made without offloading establishment charges and Tools & Plant charges, in violation of the terms of the award, which resulted in excess payment of ₹ 3.33 crore.

One of the objectives of the DDUGJY scheme was the separation of agriculture and non-agriculture feeders to enable judicious rostering of power supply to agricultural and non-agricultural consumers in rural areas. However, the objective of the separation of feeders remained largely unachieved, as 71.22 *per cent* of agricultural consumers were still connected to non-agriculture feeders in seven sample districts of three DISCOMs.

According to the terms and conditions of the agreements executed with the TKCs, the electrical inspection cost was included in the contract price. However, three DISCOMs reimbursed electrical safety inspection fees amounting to ₹ 9.16 crore to the TKCs. After being pointed out by Audit, two

DISCOMs recovered ₹ 5.79 crore, resulting in excess payments of ₹ 3.37 crore to the TKCs.

Additionally, two DISCOMs made inadmissible payments for sag, jumpering, and wastage, resulting in excess payments of ₹ 1.09 crore to the TKCs.

Audit noticed duplicity in connections released and claimed by the TKCs under the SAUBHAGYA scheme, resulting in excess payments of ₹ 26.65 crore. *Audit recommends that the DISCOMs may establish an effective system to monitor the work of TKCs, thereby identifying duplicate connections and preventing excess payments to TKCs.*

The inadequate number of State Level Standing Committee (SLSC) and District Development Coordination and Monitoring Committee (DISHA) meetings adversely impacted regular monitoring and oversight. *Audit recommends that the GoUP may ensure that meetings of SLSC and DISHA are conducted as per the norms, to facilitate timely corrective actions.*

A survey, covering 2,208 beneficiaries and 224 villages across 16 districts, was conducted by audit. The majority of the respondents confirmed receiving energy meters, stable power supply, improved access to consumer durables, increased study hours for children, and enhanced mobility and security at night. Similarly, most of the Gram Pradhans confirmed the availability of a sufficient number of distribution transformers in their villages and reported no use of voltage stabilizers/inverters. Some respondents, however, reported voltage fluctuations and non-receipt of LED lamps.