CHAPTER-II

2 Mini-review on implementation of Memorandum of Understanding (MoU) between Government of Assam and Government of India.

Highlights

The Assam Electricity Regulatory Commission could not become operational as the State Government failed to provide required staff, accommodation and other infrastructure.

(Paragraph 2.3.1)

Against target of installation of 1156 Trivector meters by 31 July 2001, only 843 such meters were installed up to July 2002.

(Paragraph 2.3.2)

Against target of 100 *per cent* metering of all consumers by December 2001, the Board had 1,42,379 unmetered consumers as on 31 March 2002.

(Paragraph 2.3.5)

The Board failed to securitise its outstanding dues of Rs.1,111.32 crore to Central Public Sector Undertaking (CPSU) in terms of commitment made in the MoU.

(Paragraph 2.3.7)

2.1. Introduction

In view of continuous adverse working results of Assam State Electricity Board (ASEB), the Government of Assam (GOA), formulated a policy in April 2000 to carry out necessary reforms and re-structuring in ASEB to make it financially viable and self-sustaining in the long run. The policy envisaged reforms and restructuring on the following lines:

- Establishment of Assam Power Corporation to carry out generation and transmission functions of present ASEB. Subsequently, generation will be separated into one or more companies.

- To set up two distribution companies, selective urban areas may be leased out to private entrepreneurs.

- Assam Rural Electrification Corporation to be set up for taking up capital investment work in rural areas from plan funds.

Govt. of Assam and Union Govt. signed MoU to further the process of Power Sector Reforms in the state

In pursuance of this policy, the Government of Assam and Ministry of Power, Government of India (GOI) signed a Memorandum of Understanding (MoU) on 26 March 2001 to further the ongoing process of reforms.

As per Part I (2) (b) of the Memorandum of Understanding, Government of Assam decided to set up a single member Electricity Regulatory Commission in the State, which would be subsequently converted into 3 members commission. The limited mandate as provided under Section 22(1) of the Electricity Regulatory Commission Act, 1998 has been elaborated in Para 1.10 1 (B) *supra*.

As per part II of the MoU, the Government of Assam was required to take the following specific steps:

(a) To appoint Chairman of State Electricity Regulatory Commission (SERC) by 30 April 2001 and operationalise the SERC by 30 June 2001 and to give full support to the SERC to discharge it's statutory responsibilities;

(b) To introduce energy audit at all levels in order to reduce system losses by (i) metering all 11 KV feeders by 31 July 2001 (ii) 100 *per cent* metering of all consumers by 31 December 2001 and (iii) on-line computerised billing in all major towns by 31 March 2002;

(c) To rationalise existing manpower, restricting recruitment to need based only to reduce cost of supply;

(d) To bring down the level of ASEB's receivables to 60 days billing by March 2002;

(e) To securitise outstanding dues of CPSUs as per scheme approved by Government of India if the cash flow of the State finances so permit.

2.2. Scope of audit

Records of Department of Power, Government of Assam and ASEB were checked in Audit (April 2002) to ascertain the status/progress of implementation of the MoU. The findings are discussed in succeeding paragraphs.

2.3. Status of implementation

2.3.1 Delay in operationalising the State Electricity Regulatory Commission

Lack of State Govt. support rendered AERC non-functional

Assam Electricity Regulatory Commission (AERC) Rules 2001 were notified in February 2001 in consonance with the Electricity Regularity Commission Act, 1998 of the Government of India. Government of Assam appointed the chairman of the single-member AERC on 14 August 2001 against the scheduled date of 30 April 2001. Though as per Clause II (a) of MoU, State Government would have to give full support to discharge its responsibilities, the commission could not become operational as the State Government failed to provide required staff, accommodation and other infrastructure and as such, setting up of AERC and appointment of Chairman with the mandate provided under Section (22) 1 of the Electricity Regulatory Commission Act remained unfulfilled.

2.3.2 Failure to introduce energy audit

As per Memorandum of Understanding, energy audit was required to be introduced by 31 July 2001 after metering all 11 KV feeders. For this purpose, 1156 HT Trivector meters along with same number of CT/PT sets with metering cabinet and other accessories were required to be installed in the 11 KV feeders in the 11 Revenue Circles (out of 14 Revenue Circles). Against the above requirement, the Board had 50 CT/PT sets in stock.

Energy audit not introduced due to non-completion of metering of 11 KV feeders

It was observed in audit that up to March 2002, Board purchased 843 nos. of HT trivector meters (Rs.1.57 crore), 793 combined CT/PT sets with metering cabinet (Rs.2.92 crore) and other accessories (Rs.0.45 crore). Till the month of June 2002, 843 meters along with CT/PT set could be installed against the target of 1156. Thus, the commitment made by the Government of Assam for installation of metering systems at all 11 KV feeders by 31 July 2001 was yet to be achieved as only 73 *per cent* work was completed (July 2002).

Further, the Board received Rs.14.97 crore on 14 September 2001 for implementation of system improvement including metering of 33/11 KV feeders in the remaining three Revenue Circles. However, required clearance from Accelerated Power Development Programme (APDP) monitoring cell, M.O.P., Government of India was received only on 9 April 2002. Action Plan and milestone for implementation were yet (10 May 2002) to be fixed.

The funds amounting to Rs.14.97 crore received from Government of India were lying unutilised (May 2002).

The Board could also not introduce energy audit due to non-completion of metering of 11 KV feeders.

2.3.3 Non-rationalisation of existing manpower

As per MOU, the Board was required to rationalise the existing manpower, restricting recruitment to need based to reduce the cost of supply in the State, which is one of the highest in the country.

The number of employees per million units sold during the last three years and staff cost per unit sold were as under:

Year	No. of employees	No. of employees per MU sold	Staff cost per unit sold
1999-2000	19,222	11.50	Rs.1.40
2000-2001	18,821	9.85	Rs.1.42
2001-2002	17,965	9.88	Rs.1.48

Though the number of employees per MU sold was the highest in the country, the Board failed to take necessary steps for rationalisation of existing manpower, except for a ban on the new recruitment, which has already been in force since 1991. The declining trend was due to retirement under normal rules only.

2.3.4 Failure to introduce computerised billing system

As per M.O.U the Board was required to introduce computerised billing system in all major towns by 31 March 2002. Scrutiny revealed that the Board initiated action in November 1998 itself to introduce the system in Greater Guwahati Area at the first instance. However, as at October 2001, the Board had short listed four consultants for software design development and implementation. Final selection was yet to be made (July 2002).

2.3.5 Failure to convert unmetered supply to metered supply

The Memorandum of Understanding provided for 100 percent metering of all consumers by 31 December 2001. However, as per records there were 1,42,379 unmetered consumers (Kutirjyoti: 9,357, Rural Commercial: 5,378 and Rural Domestic: 1,27,644) under ASEB as on 31 March 2002.

2.3.6 Failure to bring down the level of receivables

As per MoU, ASEB was required to bring down the level of its receivables to 60 days billing by March 2002. However, as per accounts, the position of outstanding receivables in terms of days billing were as under:

Year	Total billing for the year (Rupees in crore)	Total receivable at the end of the year (Rupees in crore)	Receivables in terms of days billing
2000-2001*	619.18	576.90	340 days
2001-2002*	631.30	533.04	308 days

The Board thus failed to bring down the level of its receivables to 60 days billing.

2.3.7 Non-securitisation of outstanding dues

Government of India, Ministry of Power formulated (May 1998) the scheme of securitisation of outstanding dues to CPSU. The scheme provided for conversion of outstanding dues as on 30 September 2001 into long-term loans to be repaid by the State Government in instalments over a period of 15 years. The State Government was required to issue bonds with a coupon rate of 8.5 per cent to the

* Provisional Accounts.

concerned CPSUs who were free to trade them in the market. In order to make the scheme meaningful, the ASEB was required to make necessary arrangements and undertake necessary reforms for full payment of current dues to the respective CPSU for supply/transmission of electricity and fuels from October 2001.

The amount of outstanding dues to CPSUs as on 30 September 2001 for which bonds are required to be issued by the State Government after entering into tri-partite agreement with the Government of India and the Reserve Bank of India were as under: -

CPSU	Principal	Surcharge*	Total
	(Rupees in crore)		
NEEPCO	533.50	142.44	675.94
NTPC	31.14	10.02	41.16
PGCIL	146.93	19.65	166.58
GAIL	76.81	23.89	100.70
OIL	125.45	-	125.45
DVC	1.49	-	1.49
	915.32	**196.00**	**1111.32**

Apart from the above, the non-CPSU dues as on 30 September 2001 amounted to Rs.315.19 crore.

Although the State Government had agreed (June 2002) to implement the scheme, the required tri-partite agreement has not yet been signed (August 2002).

Conclusion

The Board/State Government failed to achieve any of the targets set out in the MoU in respect of operationalising the AERC, introducing energy audit, rationalising the manpower, introduction of computerised billing, conversion of un-metered supply into metered supply, bring down the level of receivables and securitisation of outstanding dues. The objectives sought to be achieved through the MoU remained largely unrealised. Steps need to be taken to fulfill the commitments made in the MoU early.

* Represents 40 *per cent* out of the total surcharge as per scheme. If the scheme was implemented, 60 *per cent* of surcharge shall be waived.