

MINISTRY OF POWER

Performance Audit of Accelerated Power Development and Reform Programme

Highlights

- The primary objective of APDRP of reducing Aggregate Technical and Commercial Loss (AT&C Loss) by 9 per cent per annum was not achieved, as the reduction between 2001-02 and 2004-05 was just 1.68 per cent per annum. Further, there were significant deficiencies in the maintenance of records relating to AT&C Loss, including absence of proper guidelines and supporting records, billing on assessment basis and incorrect reporting of AT&C Loss by the States. Consequently, the data reported by the Ministry could not be regarded as authentic and accurate.

(Paragraphs 6.1.1 and 6.1.2)

- The programme envisaged 100 per cent metering of feeders, Distribution Transformers (DTs) and consumer connections. The audit showed that the progress in metering of DTs, which is an essential tool to control AT&C losses, was not adequate as only 3 States had shown 80 to 100 per cent metering. As regards feeder and consumer metering, despite the Ministry's reports showing a high percentage of metering in most States, audit examination at the State level showed significant deficiencies, in addition to misreporting of data on installation of meters.

(Paragraph 6.2)

- There were significant deficiencies in the quality and reliability of power supply, which was targeted under APDRP. The number of feeder trippings and duration of outage, as well as failure rate of Distribution Transformers, was much higher than permissible in most States.

(Paragraph 6.3)

- Effective energy accounting and auditing had not been possible in most States, primarily due to lack of 100 per cent system metering, lack of accountability at the circle and feeder levels, and inadequate computerisation.

(Paragraph 6.4)

- The objective of elimination of the gap between Average Revenue Realisation (ARR) and Average Cost of Supply (ACS) was far from being achieved. Only 3 out of 29 States had achieved this target, and in fact, in 8 States, the gap between ARR and ACS had shown a deteriorating trend.

(Paragraph 6.5)

- There was no mechanism for release and monitoring of APDRP funds on a project-wise basis. 17 out of 29 States where the programme was being implemented, either did not operate separate account heads and bank accounts for APDRP funds, or did not operate them correctly.

(Paragraph 7.1)

- The Guidelines did not specify submission of Utilisation Certificates, supported by detailed Statements of Expenditure. Audit of 294 projects involving utilisation of funds reported to be Rs. 5617.64 crore as of March 2006, revealed instances of incorrect financial reporting amounting to Rs. 676.09 crore.

(Paragraphs 7.2.1 and 7.2.2)

- Audit revealed instances of diversion of funds amounting to Rs. 181.78 crore by 10 States for unauthorised purposes, and diversion of Rs. 432.23 crore by 7 States for adjustment against various dues of the utilities, which was effectively equivalent to short release of APDRP funds.

(Paragraph 7.2.5)

- As of March 2006, three States did not return surplus funds amounting to Rs. 51.07 crore, while eight States failed to release Rs. 412.03 crore of APDRP funds to the SEBs/ utilities.

(Paragraphs 7.2.4 and 7.2.6)

- The incentive mechanism of APDRP was not successful, with just Rs. 1575.02 crore released as of January 2007, against the 10th Five Year Plan provision of Rs. 20,000 crore. Further, most of the claims pertained to the years 2001-02 to 2003-04, which indicated that the objective of reducing cash losses of SEBs/ Utilities through an incentive mechanism had largely not been achieved. Audit examination also revealed a number of deficiencies, such as allowing an ineligible claim, disallowance of incentive claims on grounds not reflected in the guidelines, and lack of a mechanism for verifying utilisation of the incentive grant for improvement of the power sector.

(Paragraph 8)

- The administrative intervention envisaged under APDRP of ensuring accountability at the circle and feeder level by redesignating Distribution Circles as independent profit centres and feeders as business units was not successful. While many States had designated the Circle Superintending Engineer and Junior Engineer as Circle CEO and Feeder Manager, no administrative measures were taken to ensure accountability and responsibility.

(Paragraph 9.1)

- **The Ministry did not have a mechanism for monitoring periodically the effectiveness of vigilance and legal measures in different States to prevent theft of energy. The percentage of registering theft cases was low ranging between 0.28 per cent to 14.08 per cent, and the percentage of conviction was even lower, ranging between zero and 10.61 per cent.**

(Paragraph 9.5)

- **There were significant weaknesses in the project planning, management and implementation process. There was inadequate examination of DPRs by the Steering Committee, with 641 projects being approved in just 9 meetings. Most SEBs/ Utilities had not adopted turnkey contracting, and had executed the works departmentally or on semi-turnkey basis; in some cases, the turnkey packaging was so distorted that it negated the concept of single point responsibility, which was the objective of turnkey contracting. In addition, the audit also detected numerous deficiencies in individual projects across different aspects, covering execution of out-of-scope items, lack of economy in procurement and execution, excess payments to contractors and other inefficiencies.**

(Paragraph 10)

- **There was lack of direct linkage between physical and financial progress of APDRP projects at the Ministry's level. The mechanism for inspection of APDRP implementation was inadequate.**

(Paragraphs 12.2 & 12.3)