

## **Overview**

The Accelerated Power Development and Reform Programme (APDRP) was launched, with the primary objective of reduction in the Aggregate Technical and Commercial Losses and significant improvement in revenue realisation by the State utilities, in 2002-03 as additional Central Assistance to finance projects relating to the sub-transmission and distribution network. The project had a total outlay of Rs. 40,000 crore – Rs. 20,000 crore each for the investment and incentive components – for the 10th Five Year Plan Period. As of March 2006, the Ministry had released a total amount of Rs. 6131.70 crore on 583 projects involving a total project cost of Rs. 19180.46 crore, of which the reported utilisation was Rs. 9507.20 crore (including counter part funding).

A Performance Audit of the Scheme revealed that the primary objective of APDRP of reducing AT&C Loss by 9 per cent per annum had not been achieved. There were serious deficiencies in system metering (in particular Distribution Transformer metering) and consumer metering. There were also significant deficiencies in the quality and reliability of power supply, which was targeted under APDRP. Also, 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 distribution circle and feeder levels, and inadequate computerisation.

The audit also showed significant deficiencies in the systems and procedures for release and utilisation of APDRP funds. There were instances of incorrect financial reporting amounting to Rs. 676.09 crore by the States to the Central Government. In addition, instances of irregular diversion of funds amounting to Rs. 614.01 crore, and non-return of surplus funds of Rs. 51.07 crore were noticed.

The incentive mechanism which was a part of APDRP was not successful, with just Rs. 1575.02 crore released as of January 2007, as against the 10th Five Year Plan provision of Rs. 20,000 crore. Further, most of the incentive claims pertained to the years 2001-02 to 2003-04.

There were significant weaknesses in the project planning, management and implementation process, as well as in the mechanisms for reporting, monitoring and inspection.

The Ministry needs to take major and effective steps to exercise stricter monitoring and control under APDRP to ensure that the envisaged objective of distribution reform is achieved.