

Executive Summary

The Restructured Accelerated Power Development and Reforms Programme (R-APDRP) was launched in December 2008 as a continuation of the Accelerated Power Development and Reforms Programme (APDRP) in the XI Plan period. The programme envisaged sustainable reduction of Aggregate Technical and Commercial (AT&C) losses, establishment of reliable and automated system for collection of accurate base line data and the adoption of Information Technology in the area of energy accounting as necessary preconditions for sanctioning distribution strengthening projects. The scheme also aimed to map all power distribution assets, index and meter all consumers to ensure that electricity supplied can be traced to the ultimate consumer thereby resulting in better billing efficiency.

This was sought to be achieved through implementation of projects under **Part A** (preparation of baseline data for project areas covering consumer indexing, metering, automatic data logging etc., asset mapping of the entire distribution network, Information Technology applications for meter reading, billing & collection, energy accounting and auditing, implementation of Supervisory Control and Data Acquisition projects in selected towns with a population of more than 4 lakh, etc.) and **Part B** (regular distribution strengthening projects). The scheme also envisaged capacity building of power distribution utility personnel through **Part C** and provided for incentive scheme for personnel under **Part D**. The projects were to be implemented by the Utilities on turnkey basis.

The scheme provided for 100 *per cent* funding of Part A projects by way of Government of India loans while in respect of Part B projects, 25 *per cent* of the project cost (90 *per cent* in case of special category states) was provided by Government of India loan and the balance funds were to be raised as counterpart fund from other sources like Power Finance Corporation / Rural Electrification Corporation / Banks etc. The scheme also provided for conversion of the Government of India loan into grant subject to fulfilment of prescribed conditions.

The projects were to be sanctioned on the basis of Detailed Project Reports submitted by the Utilities to the Steering Committee through the state level Distribution Reforms Committees. The scheme stipulated that the details of funds released and actual utilisation should be submitted to the Ministry of Power at the end of the year.

The major findings of the performance audit are:

Financial Management

- Gross Budgetary Support of ₹28,424 crore was envisaged for the Scheme in the XI and XII plan periods (2008–17). Against this, Ministry of Power had actually budgeted ₹12,415.04 crore during 2008-09 to 2014-15 which was only 43.68 *per cent* of the envisaged amount. R-APDRP scheme has been subsumed in Integrated Power Development Scheme since December 2014 and no separate budget for R-APDRP has been allocated after 2014–15. The actual releases during 2008–15 on R-APDRP scheme were only ₹8,175.45 crore implying slow pace of scheme implementation.

(Para 3.1)

- Counterpart funding was not tied up by many State Utilities implementing the scheme within the prescribed period. Audit noticed that Power Finance Corporation did not maintain records of counterpart funding raised by the Utilities from Financial Institutions.

(Para 3.3.3)

- Instances of diversion of R-APDRP funds and overlapping of schemes were noticed in some States.

(Paras 3.5 & 3.6)

- Power Finance Corporation submitted two sets of Utilisation Certificates to the Ministry of Power; one indicating the total disbursement of Government of India funds made by Power Finance Corporation to Utilities and the other indicating the utilisation of funds by the Utilities as received from them periodically. There was a considerable mismatch between both sets of Utilisation Certificates; Utilisation Certificates furnished by Power Finance Corporation indicated disbursement of ₹8,606.62 crore while Utilisation Certificates from Utilities indicated utilisation of a meagre ₹ 4,155.88 Crore (49.29 *per cent* of the total funds released) as on March 2016.

(Para 3.8)

- It was noticed that only the first instalment had been released in 198 Part A, 317 Part B and 47 Supervisory Control and Data Acquisition projects of the selected sample raising doubts regarding completion of the projects.

(Para 3.3.1)

- The provision of conversion of loan into grant has not been utilized by any of the Utilities as none of the Part A and Part B projects had been completed in any of the states.

(Para 3.10)

Programme Implementation

- There were delays ranging up to 13 months in finalization of preparatory activities for implementation of the programme.

(Para 4.1)

- Detailed Project Reports were not prepared in line with the Model Detailed Project Report, resulting in inclusion of inadmissible items of work and exclusion of required items of work in the scope of the project. Assumptions made during project formulation were not independently verified during appraisal. Instances of revision in cost of the projects without approval of the Steering Committee were noticed. In some cases, the Detailed Project Reports were appraised and approved by the Steering Committee without recommendation of State Distribution Reforms Committees in contravention of the prescribed procedure.

(Paras 4.2 & 4.7)

- Additional expenditure due to re-tendering and award of works to contractors at different rates for similar items of work being executed in a State were observed.

(Paras 4.10 & 4.11)

- Deficiencies in quality controls like procurement of material in deviation of specifications, failure of the items/systems leading to delay in completion of the projects and not obtaining suitable guarantees were noticed.

(Paras 4.13.1, 4.13.2 & 4.14)

- The efforts made to impart training to the staff of the Utilities were inadequate and the purpose of training of staff was not achieved.

(Para 4.15)

- Audit noticed that State Utilities had declared a number of Part A projects ‘Go Live’ though as per the project details available with Ministry of Power, none of them had yet been verified by Third Party Independent Evaluation Agency which was a pre-requisite

for project completion. Though, nearly 80 *per cent* of the towns where Part A projects were implemented had been declared ‘Go Live’, only around 50 *per cent* of the sanctioned cost had been disbursed to the Utilities. Many projects were declared ‘Go Live’ where release of funds was less than 30 *per cent* of the approved project cost. Audit noticed that the ‘Go Live’ was declared by the States themselves without verification by or approval of Ministry of Power.

(Para 4.16)

Aggregate Technical & Commercial Losses

- In the sample cases test checked in Audit, the Aggregate Technical & Commercial losses had increased relative to the baseline or could not be generated in more than 100 towns which had been declared ‘Go Live’. It was noticed that the baseline data itself has not been collected in many States before the projects were taken up.

(Paras 5.1 & 5.2)

- Variations were noticed in the Aggregate Technical & Commercial losses presented in various documents by the Ministry of Power to the Parliament. The methodology used for calculating the Aggregate Technical & Commercial losses, though laid down, was not followed uniformly leading to varying estimates of the Aggregate Technical & Commercial losses.

(Paras 5.3 & 5.4)

- Energy accounting and audit was not being done in 12 States while in another 13 states, the data for energy accounting and audit was being collected manually raising concerns about their reliability and accuracy. The main reason for not conducting energy accounting and audit was non-completion of Part A projects and non-integration of different modules for data collection.

(Para 5.5)

- 100 *per cent* metering of feeders, Distribution Transformers and consumers was not done in many states.

(Para 5.5.1)

- The measures for preventing theft of electricity like special courts and vigilance squads were not adequate and effective.

(Para 5.6.1)

Consumer satisfaction

- Computerisation of Commercial Activities like billing, collection etc. remained incomplete. The Customer Service System comprising of computerised logging, tracking and redressal of customer requests were not fully established by the Utilities in many states.

(Paras 6.1 & 6.2)

- In some States, all service connections were not fixed/ replaced with high accuracy/ tamper proof meters, as envisaged under the scheme. Proper tail end voltage was also not supplied in some States.

(Paras 6.3 & 6.4)

Monitoring and evaluation

- Shortcomings were noticed in the monitoring of the Scheme by State Distribution Reforms Committees.

(Para 7.2)

Recommendations

1. Ministry should ensure that Utilities tie-up Counterpart funding before release of funds.
2. Ministry may ensure that Utilisation Certificates are submitted by the concerned Utilities as per timelines prescribed in the General Financial Rules.
3. Ministry should consider evolving a mechanism of reporting of achievement of milestones vis-à-vis targets by state utilities along with reasons for non-achievement and action taken.
4. Ministry may ensure 100 *per cent* completion of metering so that verification of baseline data of Aggregate Technical & Commercial losses is completed, annual verification of Aggregate Technical & Commercial losses is done and to enable effective energy accounting and audit.
5. Ministry may encourage States to set up the special courts and vigilance squads, based on population of project area, so that speedy trials of offences act as deterrent to theft of electricity thereby reducing the commercial losses.
6. Monitoring and evaluation process, at the level of the Distribution Reforms Committee and Steering/Review Committee, needs to be strengthened to ensure that projects are completed in time.

