CHAPTER III: ECONOMIC SECTOR

(STATE PUBLIC SECTOR UNDERTAKINGs)

3.1 Functioning of State Public Sector Undertakings

Introduction

3.1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs, established to carry out activities of commercial nature, also to occupy an important place in the State economy. As on 31 March 2017, there were 14 SPSUs in Tripura. None of these SPSUs was listed on the Stock exchange. During the year 2016-17, no new SPSU was incorporated and none was closed down. The details of the SPSUs in Tripura as on 31 March 2017 are given in **Table 3.1.1**.

Table 3.1.1: Total number of SPSUs as on 31 March 2017

Type of SPSUs	Working SPSUs	Non-working SPSUs[1]	Total
Government Companies[2]	12	1	13
Statutory Corporations	1	-	1
Total	**13**	**1**	**14**

The working SPSUs registered a turnover of ₹ 869.27 crore as per their latest finalised accounts as of September 2017. This turnover was equal to 2.36 *per cent* of the Gross State Domestic Product (GSDP) of ₹ 36,879.70 crore[3] for 2016-17. During 2015-16, the contribution of working SPSUs turnover (₹ 706.39 crore) was marginally lower at 2.15 *per cent* of the State GDP (₹ 32,861.70 crore). The working SPSUs incurred an aggregate loss of ₹ 118.09 crore as per their latest finalised accounts as of September 2017, as compared to the aggregate loss of ₹ 139.05 crore incurred by the working SPSUs during 2015-16. The overall losses of working SPSUs were mainly on account of heavy loss (₹ 79.96 crore) incurred by the power sector SPSU {*viz.* Tripura State Electricity Corporation Limited (TSECL)} as discussed under **Paragraph 3.1.15**. The SPSUs had employed 6,721 employees[4] as at the end of March 2017. Out of 13 working SPSUs, the equity (₹ 247.06 crore) of 2 SPSUs[5] had been completely eroded by their accumulated losses (₹ 371.59 crore) as per their latest finalised accounts as on 30 September 2017. The Return on Equity (ROE) in respect of 3 working SPSUs[6] was 5.45 *per cent.* The ROE in respect of remaining eight working SPSUs[7] was negative {(-) 26.39 *per cent*} as per their latest finalised accounts.

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1 Non-working SPSUs are those which have ceased to carry on their operations.
2 Government companies include Other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.
3 GSDP figures taken as per Quarterly Review Report of the Finance Minister, Government of Tripura for the 3rd Quarter of 2016-17
4 As per the details provided by working SPSUs
5 Serial No. A9 and B1 of ***Appendix 3.1.2.***
6 As per the details provided by working SPSUs
7 Serial No. A2, A3, A4, A5, A6, A7, A8 and A11 of ***Appendix 3.1.2.***

As of 31 March 2017, there was one non-working SPSU having total investment of ₹ 0.04 crore.

Accountability framework

3.1.2 The audit of the financial statements of a Company in respect of financial years commencing on or after 1st April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a Company in respect of financial years that commenced earlier than 1st April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (Act), a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/or State Government(s). The subsidiary of a Government Company is also covered under the definition of a Government Company. The process of audit of Government Companies under the Act is governed by the related provisions of Section 139 and 143 of the Act.

Statutory Audit

3.1.3 The financial statements of a Government Company (as defined in Section 2 (45) of the Act) are audited by the Statutory Auditors. The said Statutory Auditors are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to Supplementary Audit conducted by the CAG under the provisions of Section 143 (6) of the Act. Further, the Statutory Auditors of any 'Other Company'[8] owned or controlled, directly or indirectly by the Central and/or State Government (s) are also appointed by CAG as per the provisions of Section 139(5) or (7) of the Act.

As per the provisions of Section 143 (7) of the Act, the CAG, in case of any Company (Government Company or Other Company) covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, cause 'test audit' to be conducted of the accounts of such Company (Government Company or Other Company). The provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (CAG's DPC Act) shall apply to the report of such 'test audit'.

Audit of Statutory Corporations is governed by their respective Legislations. The State of Tripura had only one Statutory Corporation, which was working. The CAG is the sole auditor for the said Corporation, namely, Tripura Road Transport Corporation (TRTC).

Role of Government and Legislature

3.1.4 The State Government exercises control over the affairs of these SPSUs through its administrative departments. The Chief Executive and Directors on the Board of these SPSUs are appointed by the State Government.

[8] As referred to in Section 139(5) and 139(7) of the Act.

The State Legislature also monitors the accounting and utilisation of State Government investment in the SPSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of State Government of Tripura

3.1.5 The State Government has a large financial stake in these SPSUs. This stake is of mainly three types:

a. **Share capital and loans-** In addition to the Share capital contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.

b. **Special financial support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.

c. **Guarantees-** State Government also guarantees the repayment of loans (with interest) availed by the SPSUs from Financial Institutions.

Investment in state PSUs

3.1.6 As on 31 March 2017, the investment (capital and long-term loans) in 14 SPSUs was ₹ 1,841.55 crore[9] as per details given in **Table 3.1.2**.

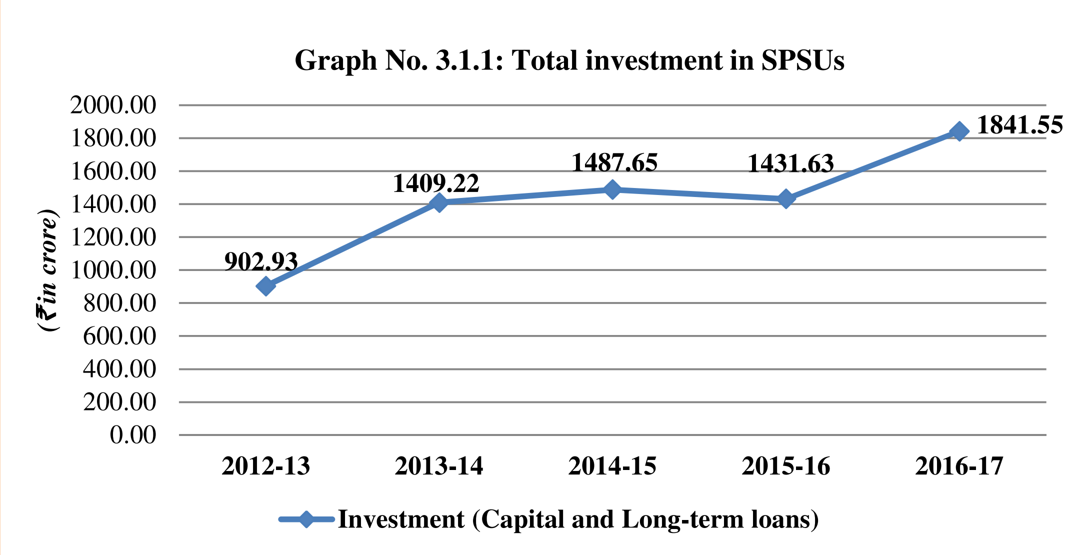
Table 3.1.2: Total investment in SPSUs

(₹ in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working SPSUs	1,193.01	487.28	1,680.29	160.97	0.25	161.22	1,841.51
Non-working SPSUs	0.04	0.00	0.04	0.00	0.00	0.00	0.04
Total	**1,193.05**	**487.28**	**1,680.33**	**160.97**	**0.25**	**161.22**	**1,841.55**

Out of the total investment of ₹ 1,841.55 crore in SPSUs as on 31 March 2017, 99.99 *per cent* was in working SPSUs and the remaining 0.01 *per cent* in one non-working SPSU (*viz.* Tripura State Bank Limited). This total investment consisted of 73.53 *per cent* towards capital and 26.47 *per cent* in long-term loans. The investment has grown by 103.95 *per cent* from ₹ 902.93 crore (2012-13) to ₹ 1,841.55 crore (2016-17) as shown in **Graph 3.1.1**.

[9] Information as furnished by the SPSUs excepting two SPSU (Sl. No. A 6 and A 12 of **Appendix - 3.1.2**) investment figures for which have been adopted from their finalised accounts for 2016-17.



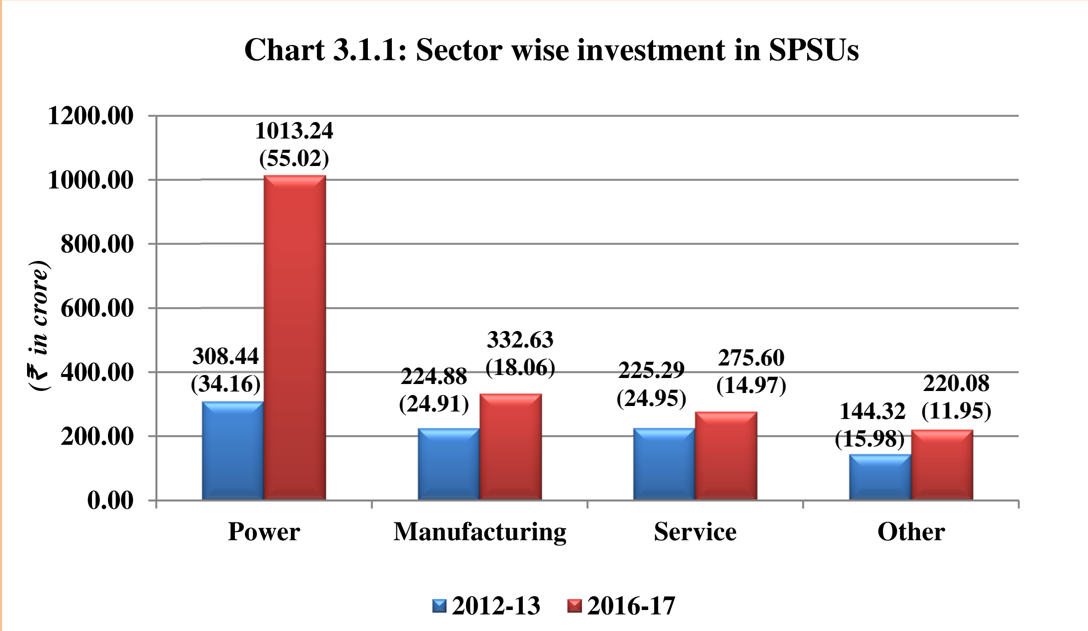
3.1.7 The sector wise summary of investments in the SPSUs as on 31 March 2017 is given in **Table 3.1.3**:

Table 3.1.3: Sector-wise investment in SPSUs

Name of Sector	Government / Other[10] Companies		Statutory Corporations	Total	Investment (₹ *in crore*)
	Working	Non-Working	Working		
Power	1	0	0	1	1,013.24
Manufacturing	2	0	0	2	332.63
Service	3	0	1	4	275.60
Finance	1	1	0	2	144.62
Agriculture & Allied	4	0	0	4	65.47
Miscellaneous	1	0	0	1	9.99
Total	**12**	**1**	**1**	**14**	**1,841.55**

The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in **Chart 3.1.1**. The thrust of investment in SPSUs was mainly in power sector which increased from 34.16 *per cent* to 55.02 *per cent* during 2012-13 to 2016-17.

[10] 'Other Companies' as referred to under Section 139 (5) and 139 (7) of the Companies Act, 2013



(Figures in brackets show the percentage of total investment)

From **Chart 3.1.1**, it could be observed that as compared to the investment position in SPSUs during 2012-13, investments have increased in all the sectors as of 2016-17. The greatest increase in investment was in the power sector which registered an increase of ₹ 704.80 crore (228.50 *per cent*). This increase was mainly due to conversion of capital reserve[11] (₹ 545.46 crore) into equity and issuing of share capital there against by the power sector SPSU {Tripura State Electricity Corporation Limited (TSECL)} in favour of the State Government during the year 2012-13.

The increase of investment (47.91 *per cent*) under manufacturing sector was mainly due to equity contribution of ₹ 107.75 crore provided by the State Government to Tripura Jute Mills Limited (₹ 91.63 crore) and Tripura Small Industries Corporation Limited (₹ 16.12 crore) during the period 2013-17.

Special support and returns during the year

3.1.8 The State Government provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, waiver of loans and interest in respect of SPSUs during three years ended 2016-17 are given in **Table 3.1.4**.

[11] This represents the value of assets transferred by State Government (Power Department) to TSECL (Company) when the activities in power sector were transferred (2007) to the Company.

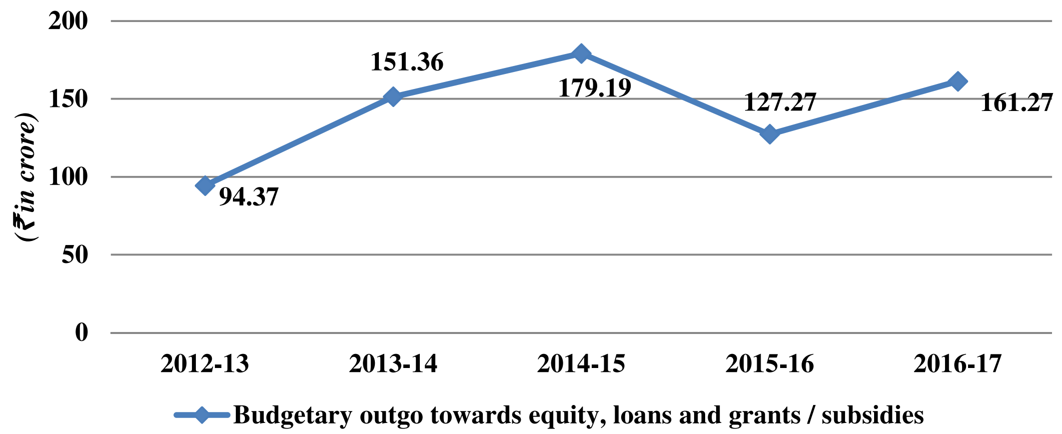
Table 3.1.4: Details regarding budgetary support to SPSUs

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity capital outgo from budget	6	38.88	6	38.48	7	60.74
2.	Loans given from budget	1	12.00	-	-	1	13.25
3.	Grants/subsidy from budget	6	128.31	5	88.79	5	87.28
4.	**Total Outgo (1+2+3)[12]**	**11**	**179.19**	**10**	**127.27**	**9**	**161.27**
5.	Waiver of loans and interest	-	-	-	-	-	-
6.	Guarantees issued	-	-	-	-	-	-
7.	Guarantee commitment	-	-	-	-	-	-

The graphical presentation of the budgetary outgo towards equity, loans and grants/subsidies for the past five years has been given in **Graph 3.1.2**.

Graph 3.1.2: Budgetary outgo towards equity, loans and grants/subsidies



As could be seen from **Graph 3.1.2**, the budgetary outgo to the SPSUs during 2012-13 to 2016-17 had shown a mixed trend. The budgetary outgo to SPSUs was at the peak during 2014-15 (₹ 179.19 crore) and lowest during 2012-13 (₹ 94.37 crore). During 2016-17, however, the budgetary outgo to SPSUs (₹ 161.27 crore) had increased significantly (by 26.71 *per cent*) as compared to the budgetary outgo (₹ 127.27 crore) extended during 2015-16. The major beneficiaries of budgetary outgo during 2016-17 were Tripura State Electricity Corporation Limited (grant/subsidy: ₹ 57.17 crore), Tripura Jute Mills Limited (equity: ₹ 31.11 crore), Tripura Handloom and Handicrafts Development Corporation Limited (equity: ₹ 11.00 crore and grant/subsidy: ₹ 11.00 crore) and Tripura Road Transport Corporation (grants: ₹ 16.58 crore).

[12] Actual number of SPSUs, which received equity, loans, grants/subsidies from the State Government

Reconciliation with finance accounts

3.1.9 The figures in respect of equity and loans provided by the State Government as per the records of SPSUs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case the figures do not agree, the SPSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2017 is given in **Table 3.1.5**.

Table 3.1.5: Equity, loans, guarantees outstanding as per the Finance Accounts *vis-à-vis* records of SPSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	1,269.53	1,348.80	79.27
Loans	56.90 [13]	206.29	149.39
Guarantee	Nil	Nil	Nil

Audit observed that the differences in the figures of equity and loans occurred in respect of 11 SPSUs [14] and 2 SPSUs[15] respectively. It could be seen from **Table 3.1.5** that during 2016-17, the differences in the figures of equity and loans were to the tune of ₹ 79.27 crore and ₹ 149.39 crore respectively. Audit observed that differences in the corresponding figures of equity and loans during the year 2015-16 were to the tune of ₹ 68.25 crore and ₹ 85.96 crore respectively. During the year 2016-17, thus, the un-reconciled differences in the State Government investment towards equity and loans of SPSUs had increased by ₹ 11.02 crore (16.15 *per cent*) and ₹ 63.43 crore (73.79 *per cent*) respectively. The State Government and the SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

3.1.10 The financial statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year *viz.* by September end in accordance with the provisions of Section 96 (1) of the Companies Act, 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 3.1.6 provides the details of progress made by working SPSUs in finalisation of accounts as of 30 September 2017.

[13] Loans includes State Government loan to TSECL (₹ 56.75 crore) for power projects.
[14] SPSUs at Sl. Nos. A.1, A.2 and A.4 to A.11 and B.1 of **Appendix 3.1.2**
[15] SPSUs at Sl. Nos. A.8 and B.1 of **Appendix 3.1.2**

Table 3.1.6: Position relating to finalisation of Accounts of working SPSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working SPSUs	13	13	13	13	13
2.	Number of Accounts finalised during the year	19	12	11	16	13
3.	Number of Accounts in arrears	20	21	23	20	20
4.	Number of Working SPSUs with arrears in Accounts	10	11	12	12	11
5.	Extent of arrears (number in years)	1 to 3 years	1 to 5 years	1 to 6 years	1 to 2 years	1 to 3 years

As could be observed from the **Table 3.1.6**, only 2[16] out of 13 working SPSUs had prepared their up-to date accounts as on 30 September 2017. The remaining 11 working SPSUs had a backlog of 20 accounts for periods ranging from 1 to 3 years. The said arrear of twenty accounts included backlog of three accounts each in respect of two Companies, two accounts each in respect of four Companies and one Statutory Corporation, and one accounts each in respect of four Companies as detailed in **Appendix- 3.1.2**.

The administrative departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the SPSUs within the stipulated period. During the period 2016-17 (upto September 2017), the departments concerned were informed (June 2017 and September 2017) regularly of the arrears in finalisation of accounts by these SPSUs. In addition, the Accountant General (AG) had also taken up (February 2017) the matter with the Chief Secretary, Government of Tripura for liquidating the arrears of accounts and drawing special attention to the importance of preparation of accounts on time. Despite all these efforts, however, the aggregate arrears of accounts of working SPSUs as of September 2017 remained unchanged at 20 accounts, which was existing during last year.

3.1.11 The State Government had invested ₹ 237.23 crore in 9 SPSUs (equity: ₹ 48.11 crore, loans ₹ 13.25 crore and grants ₹ 175.87 crore) during the years for which these SPSUs had not finalised their accounts as detailed in **Appendix - 3.1.1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. State Government's investment in such SPSUs, thus, remained outside the control of State Legislature.

Placement of Separate Audit Reports

3.1.12 The position depicted in **Table 3.1.7** shows the status of placement of SARs issued by the CAG (up to 30 September 2017) on the accounts of the Statutory Corporation (only one) in the State Legislature.

[16] Tripura Natural Gas Company Limited and Tripura Jute Mills Limited.

Table 3.1.7: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Tripura Road Transport Corporation (TRTC)	2011-12	2012-13 2013-14	25-11-2016
			2014-15	17-02-2017

It could be observed from the **Table 3.1.7**, the SARs issued by the CAG on the accounts of TRTC for the years upto 2011-12 were placed in the State Legislature by the Government. The SARs issued by the CAG on the accounts of the Corporation for the subsequent three years *viz.* 2012-13, 2013-14 and 2014-15 were pending[17] to be placed in the State Legislature.

Impact of non-finalisation of accounts

3.1.13 As pointed out in **Paragraphs 3.1.10** and **3.1.11,** the delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of SPSUs to the GSDP for the year 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

a. The State Government may set up a cell to oversee the clearance of arrears and set the targets for individual SPSUs, which would be monitored by the cell.

b. The State Government may ensure that existing vacancies in the accounts department of SPSUs are timely filled up with persons having expertise and experience.

Performance of SPSUs as per their latest finalised accounts

3.1.14 The financial position and working results of working State Government Companies and the only Statutory Corporation are detailed in **Appendix- 3.1.2**. A ratio of SPSU-turnover to GSDP shows the extent of SPSU activities in the State economy. **Table 3.1.8** provides the details of working SPSU-turnover and GSDP for a period of five years ending 2016-17.

[17] As informed (September 2017) by Tripura Legislative Assembly, the SARs were pending for placement in the Legislature due to non-receipt of a Notice from Department concerned for laying of the Reports.

Table 3.1.8: Details of working SPSUs-turnover *vis-à-vis* GSDP

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover[18]	466.52	539.43	548.84	706.39	869.27
GSDP[19]	21,663.20	24,100.27	28,870.68	32,861.70 (P)	36,879.70 (A)
Percentage of Turnover to GSDP	2.15	2.24	1.90	2.15	2.36

As could be observed from **Table 3.1.8**, the turnover of the working SPSUs showed a continuous growth during 2012-13 to 2016-17. The year-wise percentage of SPSU-turnover to GSDP had also appreciated in all years excepting one year (2014-15) as the growth in the SPSU-turnover during 2014-15 did not commensurate with the increase in the GSDP during that year. The significant increase in SPSU-turnover during 2015-16 (₹ 157.55 crore) and 2016-17 (₹ 162.88 crore) was mainly due to increase of ₹ 160.68 crore (2015-16) and ₹ 167.85 crore (2016-17) in the turnover of the power sector company {Tripura State Electricity Corporation Limited (TSECL)} as compared to the preceding year.

Erosion of capital due to losses

3.1.14A The paid-up capital and accumulated losses of 13 working SPSUs as per their latest finalised accounts as on 30 September 2017 were ₹ 1,324.59 crore and ₹ 773.39 crore respectively **(Appendix 3.1.2)**. Analysis of investment and accumulated losses of these SPSUs revealed that the accumulated losses (₹ 371.59 crore) of 2[20] working SPSUs had completely eroded their paid-up capital (₹ 247.06 crore).

Accumulation of huge losses by these SPSUs had eroded public wealth, which is a cause of serious concern.

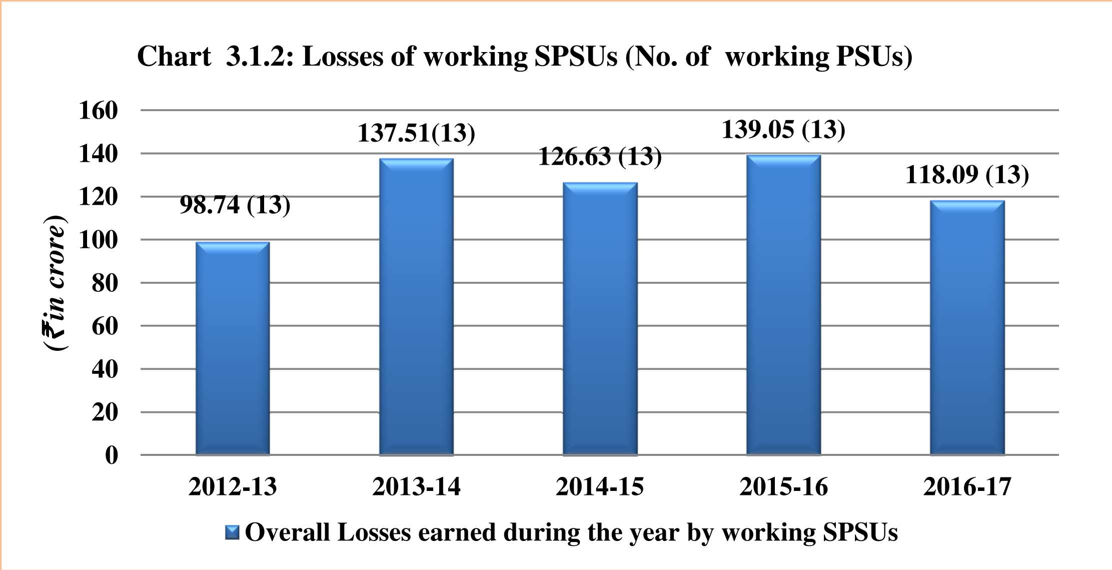
3.1.15 Overall losses[21] incurred by 13 working SPSUs during 2012-13 to 2016-17 are depicted in **Chart 3.1.2.**

[18] Turnover as per the latest finalised accounts of SPSUs as on September 2017

[19] GSDP figures taken as per Quarterly Review Report of the Finance Minister for the 3rd Quarter of 2016-17; (P)=Provisional, (A)=Advance

[20] Tripura Handloom and Handicrafts Development Corporation Limited (paid-up capital: ₹ 86.09 crore; accumulated losses: ₹ 98.58 crore) and Tripura Road Transport Corporation (paid-up capital: ₹ 160.97 crore; accumulated losses: ₹ 273.01 crore.

[21] As per the latest finalised accounts of working SPSUs as on 30 September of the respective year.



(Figures in brackets show the number of working SPSUs in respective years)

From **Chart 3.1.2**, it could be seen that the working SPSUs incurred losses during all the five years under reference. Significant losses incurred by working SPSUs during 2012-13 to 2016-17 were mainly due to heavy losses incurred by the power sector SPSU (*viz.* TSECL) during the said five years, which ranged between ₹ 79.96 crore (2016-17) and ₹ 107.44 crore (2014-15).

During the year 2016-17, out of 13 working SPSUs, 3 SPSUs earned aggregate profit of ₹ 11.97 crore, while 10 SPSUs incurred loss of ₹ 130.06 crore. Major contributor to profits of SPSUs was Tripura Natural Gas Company Limited (₹ 11.30 crore). Heavy losses were incurred by TSECL (₹ 79.96 crore), Tripura Jute Mills Limited (₹ 26.79 crore) and Tripura Handloom and Handicrafts Development Corporation Limited (₹ 9.12 crore).

3.1.16 Some other key parameters pertaining to SPSUs based on their latest finalised accounts as at the end of September of the respective year are given in **Table 3.1.9**.

Table 3.1.9: Key parameters of State PSUs

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Return on total Capital Employed (*per cent*)	Negative	Negative	Negative	Negative	Negative
Debt	276.20	205.91	245.46	140.56	487.53
Turnover[22]	466.52	539.43	548.84	706.39	869.27
Debt/Turnover Ratio	0.59:1	0.38:1	0.45:1	0.20:1	0.56:1
Interest Payments	10.33	10.50	10.54	0.69	1.62
Accumulated losses	348.03	489.43	634.48	762.48	773.39

From **Table 3.1.9**, it could be observed that during 2012-17, the overall debt position of the SPSUs showed a mixed trend. The outstanding debt of SPSUs during 2016-17

[22] Turnover of working SPSUs as per their latest finalised accounts as of 30 September of the respective year

mainly consisted of the borrowings of Tripura State Electricity Corporation Limited (₹ 347.48 crore) and Tripura Industrial Development Corporation Limited (₹ 128.41 crore). The accumulated losses of SPSUs had shown an increasing trend during the five years (2012-17). The said losses had increased by 122.22 *per cent* (₹ 425.36 crore) from ₹ 348.03 crore (2012-13) to ₹ 773.39 crore (2016-17). This was mainly due to the accumulated losses (₹ 288.17 crore) of the power sector SPSU (TSECL) as per its latest finalised accounts. The return on total capital employed during last five years from 2012-17 had been negative due to the heavy losses incurred by the SPSUs.

3.1.17 The State Government had not formulated any dividend policy regarding payment of minimum dividend by the SPSUs. As per their latest finalised accounts as on 30 September 2017, three SPSUs earned an aggregate profit of ₹ 11.97 crore. None of these SPSUs, however, had declared any dividend during the year 2016-17.

Winding up of non-working SPSUs

3.1.18 As on 31 March 2017, there was only one non-working SPSU (*viz.* Tripura State Bank Limited), which had been non-functional since 1971. The said SPSU was in the process of liquidation under Section 560 of the Companies Act, 1956. The State Government may expedite the process of winding up of the non-working SPSU.

Accounts Comments

3.1.19 Ten working Companies had forwarded 12 accounts to the Accountant General, Tripura during the year 2016-17 (October 2016 to September 2017). Nine accounts of eight Companies were selected for Supplementary Audit. The audit reports of Statutory Auditors appointed by the CAG and the Supplementary Audit conducted by the CAG indicate that the quality of maintenance of SPSU accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given in **Table 3.1.10**.

Table 3.1.10: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	1.13	5	6.32	1	0.28
2.	Increase in loss	2	6.98	6	7.16	5	7.83
3.	Non-disclosure of material facts	Nil	Nil	1	16.39	1	1.08
4.	Errors of classification	Nil	Nil	6	16.79	2	37.65

During the year, the Statutory Auditors had given qualified certificates on all 12 accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were six instances of non-compliance with the Accounting Standards in four accounts during the year. The audit comments were based mainly on the non-compliance with AS-4 (Contingencies and events occurring after the Balance

Sheet date), AS-12 (Accounting for grants), AS-15 (Employee Benefits) and AS-22 (Accounting for Taxes on Income).

Similarly, the only Statutory Corporation in the State (*viz.* Tripura Road Transport Corporation) for which the CAG is the sole auditor, had forwarded one year accounts (2014-15) to Accountant General, Tripura during the year 2016-17. The audit of the accounts forwarded by the Corporation had been completed and qualified audit certificate on the accounts was issued (February 2017).

Response of the State Government to Audit

Performance Audits and Paragraphs

3.1.20 For the Economic Sector (PSUs) Chapter of the Report of the CAG for the year ended 31 March 2017, one performance audit (PA) and one audit paragraph involving two Departments of the State Government (*viz.* Power Department and Industries and Commerce Department) were issued (May and August 2017) to the Principal Secretary of the respective Departments as well as to the respective SPSUs.

The findings of the performance audit were also discussed (7 November 2017) with the representatives[23] of the State Government/Company in the Exit Conference. The replies (November 2017) of the Company to the draft audit report as well as the views expressed by the representatives of the Company and State Government in the Exit Conference have been taken into consideration while finalising the report. The formal replies of the State Government in respect of the performance audit were, however, awaited (November 2017).

Follow up action on Audit Reports

Replies outstanding

3.1.21 The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Tripura issued (July 1993) instructions to all administrative departments to submit replies (explanatory notes) to paragraphs/performance audits (PAs) included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The position of replies/explanatory notes to paragraphs/ performance audits pending to be received from the State Government/administrative departments concerned is given in **Table 3.1.11**.

[23] The Exit Conference was attended by the Principal Secretary, Power Department, GoT, the CMD and senior officers of the Company and the Accountant General, Deputy Accountant General, *etc*.

Table 3.1.11: Explanatory notes not received (as on 30 September 2017)

Year of the Audit Report (Commercial/ SPSUs)	Date of placement of Audit Report in the State Legislature	Total performance audits and paragraphs included in the Audit Report		Number of performance audits/paragraphs for which explanatory notes were not received	
		Performance audits	Paragraphs	Performance audits	Paragraphs
2010-11	06-03-2012	1	2	Nil	Nil
2011-12	27-09-2013	1	3	Nil	2
2012-13	02-09-2014	1	3	1	1
2013-14	10-08-2015	1	3	Nil	3
2014-15	23-03-2016	1	2	Nil	2
2015-16	15-03-2017	1	Nil	1	Nil
Total		**6**	**13**	**2**	**8**

From **Table 3.1.11**, it could be seen that out of 19 paragraphs/performance audits included in the Audit Reports for the years from 2010-11 to 2015-16, explanatory notes to 10 paragraphs/performance audits in respect of four departments, which were commented upon, were awaited (November 2017).

Discussion of Audit Reports by COPU

3.1.22 The status of performance audits and paragraphs relating to SPSUs that appeared in the State Audit Reports and discussed by the COPU as on 30 September 2017 was as given in **Table 3.1.12**.

Table 3.1.12: Performance audits/paragraphs appeared in State Audit Reports *vis-à-vis* discussed by COPU as on 30 September 2017

Period of Audit Report	Number of performance audits/paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance audits	Paragraphs	Performance audits	Paragraphs
2010-11	1	2	Nil	2
2011-12	1	3	Nil	Nil
2012-13	1	3	Nil	Nil
2013-14	1	3	Nil	Nil
2014-15	1	2	Nil	Nil
2015-16	1	Nil	Nil	Nil
Total	**6**	**13**	**Nil**	**2**

Compliance to Reports of the COPU

3.1.23 Action Taken Notes (ATNs) to 37 recommendations pertaining to 9 reports of the COPU presented to the State Legislature between November 2010 and February 2015 had not been received (November 2017) as indicated in **Table 3.1.13**:

Table 3.1.13: Compliance to COPU reports

Year of the COPU report	Total number of COPU reports	Total no. of recommendations in COPU report	No. of recommendations where ATNs not received
2010-11	4	22	9
2011-12	3	14	14
2012-13	Nil	Nil	Nil
2013-14	1	10	10
2014-15	1	4	4
2015-16	Nil	Nil	Nil
Total	**9**	**50**	**37**

These reports of COPU contained recommendations in respect of paragraphs pertaining to five departments of the State Government, which appeared in the reports of the CAG for the years 1989-90 to 2008-09.

It is recommended that the State Government ensure: (a) sending of replies to draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this report

3.1.24 This Chapter contains one performance audit report on "Operational Performance of Tripura State Electricity Corporation Limited (TSECL)" and one compliance audit paragraph relating to Tripura Industrial Development Corporation Limited. The Investment, Turnover, Equity, Return and percentage of Return on Equity (RoE) in respect of these two SPSUs as per their latest finalised accounts as on 30 September 2017 are given in **Table 3.1.14**.

Table 3.1.14: Key parameters of the SPSUs covered in the Report

Name of the PSU	Investment[24]	Turnover	Equity[25]	Return[26]	RoE
	(*₹in crore*)				(*per cent*)
Tripura State Electricity Corporation Limited (TSECL)	816.13	688.31	432.66	(-) 79.63	Negative
Tripura Industrial Development Corporation Limited (TIDCL)	144.58	4.98	1.99	(-) 4.27	Negative
Total	**960.71**	**693.29**	**434.65**	(-) **84.23**	**Negative**

Source: Latest finalised Accounts of TSECL (2014-15) and TIDCL (2015-16) as on 30th September 2017

[24] Paid up Capital + Long term borrowings
[25] Equity represents paid up equity capital *plus* free reserves *plus* accumulated profits *minus* accumulated losses.
[26] Net profit after tax.

Disinvestment, restructuring and privatisation of SPSUs

3.1.25 No disinvestment, privatisation or restructuring of SPSUs occurred in the State of Tripura during the year 2016-17.

Power Department
(Tripura State Electricity Corporation Limited)

3.2 Operational performance of Tripura State Electricity Corporation Limited

The Tripura State Electricity Corporation Limited (Company) was incorporated (June 2004) as a wholly owned State Government Company after corporatisation of the power sector activities of the Power Department, Government of Tripura. This was in line with the Electricity Act 2003, for bringing about a more accountable and performance oriented commercial culture in the State power sector. The present audit was taken up to assess the performance of the Company covering the period of five years from 2012-13 to 2016-17 with focus on economy, efficiency and effectiveness of its operations. As of February 2018, the Company had finalised its accounts for the financial year upto 2014-15. For the purpose of present audit, the provisional figures for the years 2015-16 and 2016-17as compiled by the Company have been considered. The Company incurred losses during all the five years (2012-13 to 2016-17) covered in audit. The accumulated loss of the Company as of March 2017 stood at ₹ 333.33 crore.

Highlights:

The Company could operate only 7 generating units with 115 Mega Watt capacity out of the installed capacity of 152 Mega Watt in 12 units due to ageing and inefficiencies of the Generating Stations. The Company lost net potential sales revenue of ₹ 79.38 crore during 2012-13 to 2016-17 due to non-achievement of generation targets fixed by Central Electricity Authority.

(Paragraphs 3.2.10 to 3.2.11)

The Company incurred repair expenditure of ₹ 11 crore and sustained generation loss of 32.71 Million Units due to non-adherence to the recommendations of the Original Equipment Manufacturer and prescribed maintenance schedules.

(*Paragraph 3.2.13*)

The Company did not procure the entire power from Bongaigaon Thermal Power Station as per its share of allocation resulting in payment of infructuous capacity charges amounting to ₹ 21.88 crore.

(*Paragraph 3.2.18*)

For bulk power supplied to Manipur and Mizoram, the Company did not file tariff petition with the regulatory authority concerned for approval of tariff contrary to the agreement terms. The rates fixed were below the direct cost of generation resulting in loss of ₹ 11.77 crore during 2014-16. The Company also sustained loss of ₹ 2.22 crore due to selling power to two States in excess of allocable share and not claiming late payment surcharge.

(*Paragraphs 3.2.20 to 3.2.23*)

Transmission and Distribution (T&D) losses remained beyond the permissible limits fixed by Tripura Electricity Regulatory Commission. As a result, the Company lost potential revenue amounting to ₹ 151.71 crore during 2012-13 to 2016-17.

(*Paragraph 3.2.25*)

Sixty eight *per cent* of the Remote Terminal Units (RTUs) of the Company were not reporting the real time data to State Load Despatch Centre. This had adverse effects on the real time supervisory and monitoring activities of the Company. The Company did not take corrective actions suggested by the internal auditors. The raid and inspection activities of the Company lacked transparency.

(*Paragraphs 3.2.36.2, 3.2.36.4 and 3.2.37*)

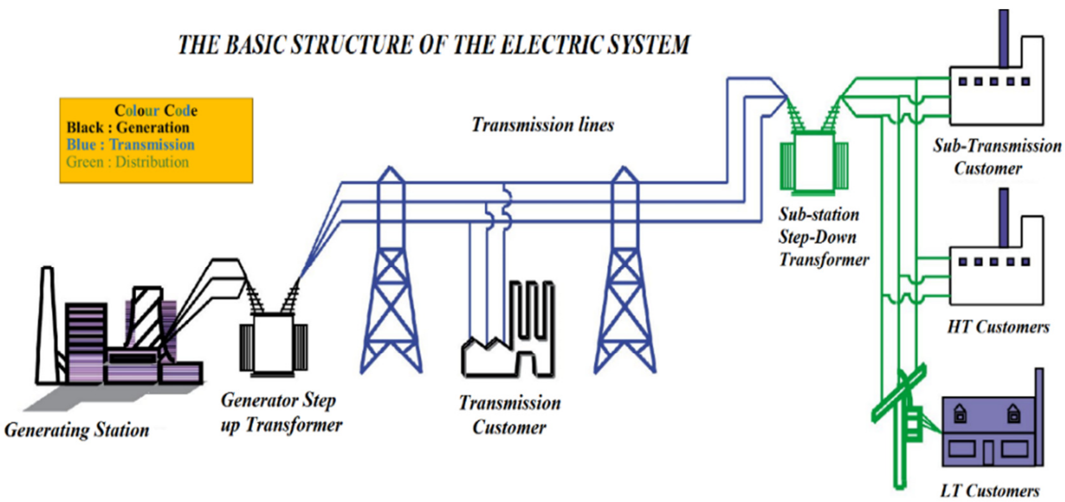
The consumer grievances redressal mechanism of the Company was inadequate and ineffective. Infrastructure created for ensuring ease in bill payment remained non-operational for more than 11 months after demonetisation (November 2016) of old currency notes by Reserve Bank of India.

(*Paragraphs 3.2.39 and 3.2.40*)

3.2.1 Introduction

Electricity is a form of energy which is created due to movement of electrons across the atoms. During generation of electricity, the generation station produces electricity at lower voltages of 11 kV to 25 kV. The voltage level is increased up to 765 kV[27] for transmitting the electricity to the consumers' location. The voltage level, however, needs to be brought down to appropriate level depending upon the category and capacity of the consumers. The basic structure of electricity supply system is given in **Figure 3.2.1.**

Figure 3.2.1: Electricity Supply System



[27] Existing maximum transmission voltage level in India

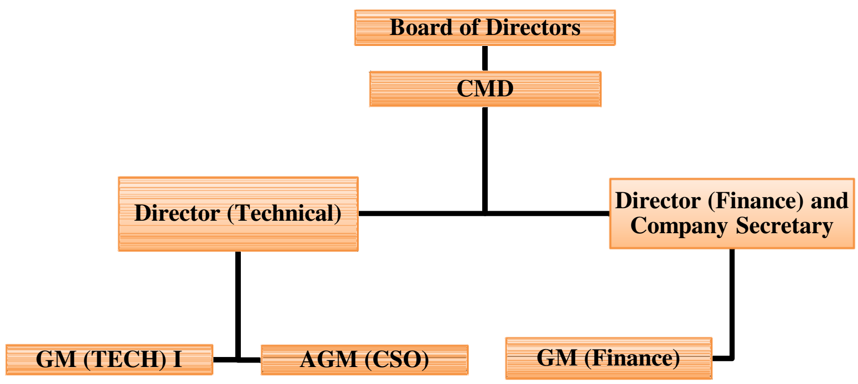
3.2.2 Background of the Company

The State segment of electricity supply activity in Tripura was under the direct control of the Department of Power, Government of Tripura (GoT) till 31 December 2004. The Tripura State Electricity Corporation Limited (Company) was incorporated (9 June 2004) as a wholly owned State Government Company after corporatisation of the power sector activities of the Power Department, Government of Tripura. This was in line with the Electricity Act 2003, for bringing about a more accountable and performance oriented commercial culture in the State power sector. The GoT transferred (1 January 2005) operational control of all the assets and allied activities relating to Generation, Transmission and Distribution of power to the Company. With the intention to transfer the generation activities of the Company, the GoT formed (January 2015) another company, namely, Tripura Power Generation Limited (TPGL). The transfer of the generation activities of the Company to TPGL was, however, pending finalisation (September 2017).

3.2.3 Organisational setup

The Company was functioning under the administrative control of the Department of Power, GoT. The Management of the Company was vested with the Board of Directors consisting of six members. The day-to-day operations of the Company were managed by the Chairman cum Managing Director (CMD) of the Company. The CMD was also the executive head of the Company.

Figure 3.2.2: Organisational chart



3.2.4 Scope of Audit

The Company had three activity segments *viz.* Generation, Transmission and Distribution of electricity. The Reports of the Comptroller and Auditor General of India, Government of Tripura for three years (2009-10 to 2011-12) contained three Performance Audits (PAs) relating to the Company. The said PAs covered the three segments of the Company's activities. The status of the discussion of the three PAs by the Committee on Public Undertakings (COPU) is given in **Table 3.2.1**.

Table3.2.1: Statement showing discussion of PA reports by COPU

Sl. No.	Name of the PA	Period Covered	Featured in Audit Report	Discussion by COPU
1	PA of the Power Generating Stations-Tripura State Electricity Corporation Limited	2005-06 to 2009-10	2009-10	Partially discussed on 30 May 2012, 20 January 2015 and 16 August 2016
2	PA of Power Distribution Utility	2006-07 to 2010-11	2010-11	Pending discussion.
3	PA on Power Transmission Activities of Tripura State Electricity Corporation Limited	2007-08 to 2011-12	2011-12	Pending discussion.

The present PA covered all three segments of Company's activities (Generation, Transmission and Distribution of electricity) for the period from 2012-13 to 2016-17. List of units covered for detailed examination is given in **Appendix 3.2.1**. The selection of samples for conducting the PA was made based on 'Judgmental Sampling Method'.

From the Generation segment, Audit selected all three generating stations as well as the lone Generation circle of the Company for detailed examination.

In Transmission segment, Agartala city was the main transmission hub connected with all major transmission lines in the State. Audit selected the two transmission divisions of the Company located in Agartala for detailed examination. Audit also examined the only Transmission circle of the Company, which was located in Agartala city.

In the Distribution segment, the Company had nine distribution circles in eight districts[28] of the State. Audit selected four[29] out of these nine circles (one each from northern and western regions and two from southern region) for scrutiny. The selected four circles contributed highest revenue within their respective regions. Audit covered 10 divisions[30] out of total 11 divisions functioning under these four circles.

The Commercial and System Operation Cell of the Company carried out activities relating to bulk power purchases and sales. This PA examined the records of this Cell as well as its two divisions.

3.2.5 Audit Objectives

The PA was conducted with a view to assess whether:

a. the activities of the Company relating to Generation, Transmission and Distribution of electricity were carried out economically, efficiently and effectively;

[28] The Company had one distribution circle in each of the districts except for Tripura (West) District where there were two distribution circles.

[29] Northern Region: (i) Dharmanagar Electrical Circle, Western region: (ii) Banamalipur Electrical Circle, Southern Region: (iii) Gomati Electrical Circle and (iv) Sipahijala Electrical Circle

[30] Electrical Divisions (i) Dharmanagar, (ii) Panisagar, (iii) Banamalipur, (iv) Bordowali, (v) Capital Complex, (vi) Udaipur, (vii) Amarpur, (viii) Bishalgarh, (ix) Sonamura and (x) Jampuijala.

b. the monitoring and internal control system of the Company was adequate and effective; and

c. the Company was able to provide mandated services to the consumers in an efficient and effective manner.

3.2.6 Audit criteria

Audit criteria for this PA were derived from the following sources:

a. Relevant legislative and regulative framework viz., 'Electricity Act, 2003', statutes relating to pollution; Rules, Regulations by Central Electricity Authority (CEA), Central Electricity Regulatory Commission (CERC), Tripura Electricity Regulatory Commission (TERC);

b. Policy papers issued by GoI/GoT and the Company;

c. Agenda and minutes of meetings of the Board of Directors of the Company and its Committees; and record note of meetings with various Government Departments/ Agencies;

d. Agreements entered into by the Company with suppliers, consumers, *etc.*; and,

e. Best industrial practices as per the reports of Forum of Regulators and Ministry of Power, GoI.

3.2.7 Audit methodology

The PA commenced with an Entry Conference held (12 May 2017) with the Principal Secretary, Power Department, GoT, wherein audit objective, audit criteria and methodology were discussed. The audit conclusions were drawn after scrutiny of records, analysis of available data and response of the management to audit queries.

The draft PA report was also discussed with the representative[31] of the GoT/Company at an Exit Conference (7 November 2017). The replies (November 2017) of the Company to the draft PA report as well as the views expressed by the representatives of the Company and GoT in the Exit Conference have been appropriately taken into consideration while finalising the PA report. The replies of GoT to the draft PA report, however, were awaited (February 2018).

Audit Findings

3.2.8 Financial position and working results

As of February 2018, the Company had finalised its annual accounts up to the year 2014-15. The accounts of the Company for the last two years (2015-16 and 2016-17) were in arrears. The financial position and the working results of the Company for the

[31] The Exit conference was attended by the Principal Secretary, Power Department, GoT, the CMD and senior officers of the Company and the Accountant General, Deputy Accountant General, *etc*.

five years[32] from 2012-13 to 2016-17 is given in **Appendix-3.2.2** and **Appendix-3.2.3** respectively.

3.2.8.1 CERC had prescribed Debt-Equity ratio[33] (DE ratio) of 70:30, which was also followed by TERC. As could be observed from **Appendix 3.2.2**, the DE ratio of the Company during the period from 2012-13 to 2016-17 ranged between 40:60 (2014-15) and 52:48 (2016-17). As per the provisions of TERC (Tariff Regulation 2004), Return on Equity (ROE) formed part of Annual Revenue Requirement (ARR) and the Company was entitled to recover the same from the consumers as a component of tariff. During the period covered under this PA, TERC had trued up[34] tariff for the year 2012-13. It had further reviewed tariff for the year 2013-14. During this exercise, TERC allowed ROE on 30 *per cent* of the Net Fixed assets for the two years based on the DE ratio norms (70:30). Audit observed that during these two years, equity component of the total investments in the Company represented 59 *per cent* (2012-13) and 54 *per cent* (2013-14) of the assets. In order to avail optimum ROE against the entire equity investment made during these two years, the Company should have maintained the Debt-Equity mix in the prescribed ratio of 70:30 through corresponding increase in its long term debts. The Company could have utilised the long term debts so enhanced in creation and improvement of its infrastructure and expansion of its activities. The Company missed the opportunity to recover return amounting to ₹ 54.45 crore against ROE component of tariff due to not maintaining the prescribed Debt-Equity mix of 70:30.

The Management, in their reply (November 2017), assured to take necessary remedial measures to improve the Debt-Equity ratio.

The current assets of the Company during 2012-17 had appreciated significantly from ₹ 487.17 crore (2012-13) to ₹ 727.81 crore (2016-17) (**Appendix-3.2.2**). Audit observed that a significant portion of these current assets ranging from 69 to 71 *per cent* was blocked in liquid assets (*i.e.* cash and cash equivalents). Audit further observed that the Company had been holding high value of cash and cash equivalents mainly due to delay in making payment against power purchase bills during 2012-17. The Company also had to bear additional liability towards late payment surcharge (₹ 13.03 crore) during 2012-17 due to the said delay as discussed under **Paragraph 3.2.33**.

3.2.8.2 The Company incurred loss during all the five years covered by this PA *i.e.* 2012-13 to 2016-17 as depicted in **Appendix- 3.2.3**. The losses ranged between ₹ 107.44 crore (2012-13) and ₹ 27.56 crore (2016-17). The accumulated losses of the Company as on 31 March 2017 stood at ₹ 333.33 crore. Head-wise components of

[32] For 2015-16 and 2016-17, provisional figures as compiled by the Company had been considered.
[33] Formula of Debt equity ratio prescribed by Forum of regulator

$$\text{Debt : Equity} = \frac{\text{Long term debt + Short term debt}}{\text{Equity + Reserve + Accumulated Profit (loss)-Misc. expenses not written off}}$$

[34] During truing up of tariff, the regulatory authorities concerned assess the financial and operational performance of the Company for a tariff period *vis-à-vis* pre-defined estimates and norms. The difference, if any, is adjusted in the tariff for the subsequent period.

revenue and expenditure of the Company during the last five years (2012-17) are depicted in **Chart 3.2.1** and **3.2.2**.

Chart 3.2.1: Head wise component of revenue
(₹in crore)

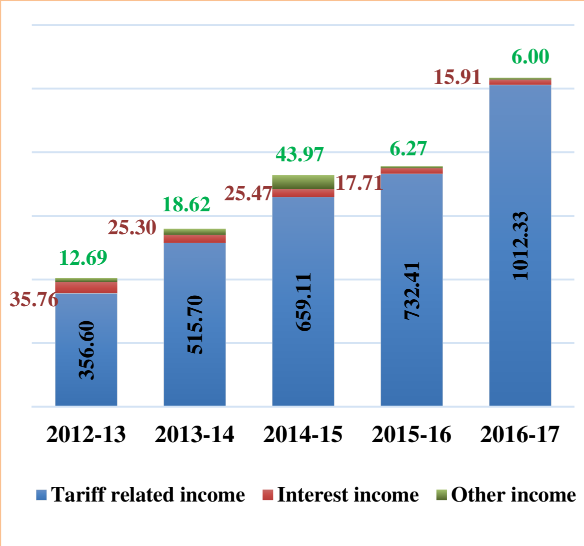
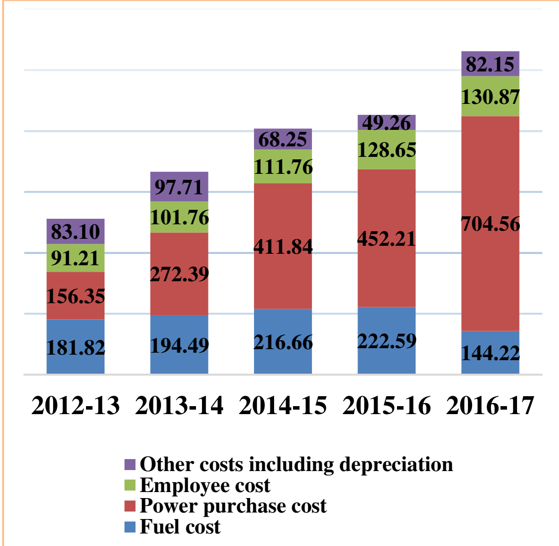


Chart 3.2.2: Head wise component of cost
(₹in crore)



It will be seen from **Chart 3.2.1** that the aggregate tariff related income[35] (₹ 3,276.15 crore) of the Company for the five years (2012-13 to 2016-17) constituted 94.04 *per cent* of total revenue earned (₹ 3,483.85 crore) during the said period. As shown in **Chart 3.2.2**, the combined cost of fuel and bulk power purchase (₹ 2,957.13 crore) during the corresponding period (2012-17) represented 75.79 *per cent* of total cost (₹ 3,901.85 crore). During the five years (2012-13 to 2016-17), the operational surplus margin of the Company had increased from 5.45 *per cent* (2012-13) to 19.27 *per cent* (2016-17). Among non-tariff income, Interest Income and Other Incomes represented 3.45 *per cent* and 2.51 *per cent* of total revenue respectively. Similarly, out of non-operating cost, Employees cost and Other costs[36] represented 14.46 *per cent* and 9.75 *per cent* of total cost. Considering all the components of revenue and cost, the Company incurred net loss during all the five years under reference i.e. 2012-13 to 2016-17.

3.2.9 Electricity Supply operations

As on 31 March 2017, the Company had two gas-based thermal stations[37] and one small-hydel station[38] (Gumti). In addition to the own generation of power from these stations, the Company had been availing allocations from Inter State Generating Stations (ISGSs) and Central Generating Stations (CGSs) located in the North-Eastern

[35] Indicate sale of power and related Government grant/subsidies
[36] Including Depreciation
[37] Rokhia with total install capacity 95 Mega Watt in seven units and Baramura with total installed capacity of 42 Mega Watt in two units.
[38] As per definition of Ministry of New & Renewable Energy, GoI, small hydel plant means a hydel plant having generating capacity from 2 MW to 25 MW. As on 31 March 2017, Gumti has total install capacity of 15 Mega Watt in its three units.

region. There had been an upward trend in quantity of power available [39] for the State (**Appendix 3.2.4**). This was due to commissioning of three new ISGS/CGSs during the period covered by this PA. With the improved power position of the State, the Company was able to sell surplus power in the inter-state market as well as to neighbouring country 'Bangladesh'[40].

Plant Management

3.2.10 Capacity utilisation

As on 31 March 2017, the three generation stations of the Company had install capacity of 152 MW[41] in their 12 units (**Appendix 3.2.4**). Out of these 12 units, the Company had been operating only 7 units (Capacity: 115 MW) for generating electricity. Audit observed that out of the unused five units (capacity: 37 MW), four units belonging to Rokhia GS[42] had outlived their useful life. The Company had to shut down the said four units due to unavailability of critical spares and lack of fuel efficiency. The fifth generating unit (Gumti GS) remained idle since 2010 for want of major repairs. The Company had not taken any effective steps either for life-extension/modernisation or decommissioning/auction of these five idle generating units. Further, the Company could not utilise the generating capacity of seven operational units to their optimal level as discussed under the succeeding paragraphs.

3.2.11 Plant Load Factor and Generation Target

Plant Load Factor (PLF) represents the ratio between actual generation and maximum possible generation indicating the actual capacity utilisation of a generating station. The PLF of seven operational units of the Company during the period covered under audit is given in **Table 3.2.2.**

Table 3.2.2: Capacity in use and PLF achieved

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16 *	2016-17
1	Capacity in use (MW)	110	115	115	115	115
2	Maximum possible Generation (MU) [43]	963.60	1,007.40	1,007.40	1,010.16	1,007.40
3	Generation Target as fixed by CEA (MU)	764.50	800.50	905.00	1142.50	763.50
4	Actual Generation (MU)	803.77	759.60	756.95	723.68	666.20
5	Plant Load Factor achieved (*per cent*) (4 ÷ 2)	83.41	75.40	75.14	71.64	66.13

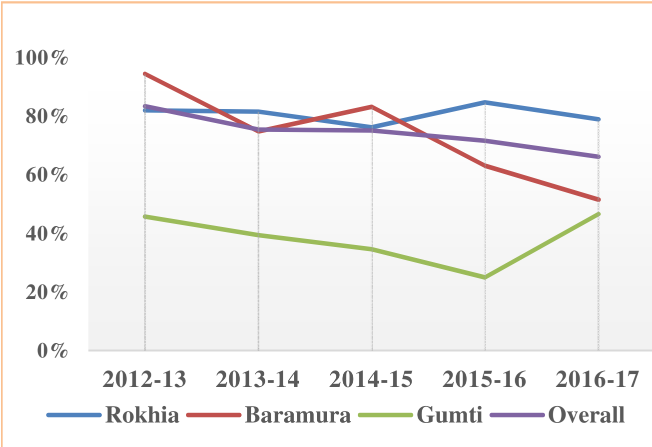
*2015-16 was a leap year. Accordingly, maximum possible generation has been calculated for 366 days.

As could be seen from **Table 3.2.2**, the overall PLF of the Company had been declining over the last five years. **Graph 3.2.1** indicates the overall and individual

[39] Own capacity, share of Inter State Generating Stations (ISGS) and Central Generating Stations (CGS)
[40] The Company entered (18 March 2016) into an agreement with NVVN for supply of 100 MW of power to Bangladesh round the clock.
[41] Mega Watt
[42] Of the four units, two units were withdrawn from active use during the year 2012-13.
[43] (Sl. No. 1 × 8760 hours (normal year) or 8784 hours (leap year). MU indicate Million Units *i.e.* 10 lakh kWh.

PLF achieved by the generating stations during five years from 2012-13 to 2016-17. As depicted in **Graph 3.2.1**, the overall PLF of generating stations had constantly declined during five years (2012-17). This was mainly due to decrease in PLF of Baramura GS from 94 *per cent* (2012-13) to 52 *per cent* (2016-17). The reduction in PLF of Baramura GS was due to higher outages and working of plant at lower capacity. The units of Gumti GS had also operated at a lower PLF (between 25 to 48 *per cent*) due to siltation and aging of units.

Graph 3.2.1: Plant Load factor



The Company could not achieve the generation targets fixed by the Central Electricity Authority (CEA) during last four years from 2013-14 to 2016-17 (refer **Table 3.2.2**). The shortfall in achievement of the generation targets was mainly attributable to low PLF of generating stations as discussed above.

Audit observed that Tripura had been a power surplus State during last three years (2014-15 to 2016-17) as mentioned under **Paragraph 3.2.9**. Any reduction in generation would, therefore, result in corresponding reduction in State's revenue through inter-state sale of surplus power. Audit analysis revealed that the Company lost net potential revenue of ₹ 79.38 crore[44] through sale of surplus power due to non-achievement of generation targets fixed by CEA during 2012-13 to 2016-17 as detailed in **Appendix 3.2.5.**

3.2.12 Plant Availability

Plant availability indicates the total number of hours the plant actually remain operational during a specified period after netting off the planned and forced outages[45] for that period. The plant availability is, therefore, crucial to attain the generation targets. CERC had prescribed plant availability of 85 *per cent* for electricity Generating Stations (GSs)[46] as benchmark. The details of the plant availability and actual outages of the three GSs of the Company during the five years from 2012-13 to 2016-17 have been summarised in **Appendix 3.2.6**. As could be seen from the **Appendix,** the overall plant availability reduced from 89 *per cent* in 2012-13 to 77 *per cent* in 2016-17. This was mainly due to high forced outages in two GSs (*viz.* Baramura and Gumti). The Company, as such, could not achieve CERC norms

[44] Worked out based on the average Realisation rate of sale of power ***less*** Variable cost to generate (i.e. fuel cost)

[45] Forced outages are unscheduled outages due to unplanned repairs/maintenance of plant, plant being out of order, plant stopped due to grid constraints and other similar constraints, but not including planned outages (scheduled maintenance and outages due to non-availability of gas).

[46] TERC has not fixed any norms with regard to Plant Availability.

(85 *per cent*) of Plant availability during last three years (2014-15 to 2016-17) out of five years (2012-17). Audit examination, however, further revealed that during 2016-17, 44 *per cent* (6,137 hours) of total outages (13,919 hours) had occurred in two generating stations (Rokhia and Baramura) due to short supply of gas by suppliers.

3.2.13 Non-adherence to the prescribed maintenance schedule/recommendations of Original Equipment Manufacturer

Timely inspection of the combustion components and planned maintenance activities contribute to longer life of downstream parts. The Original Equipment Manufacturer (OEM) also prescribed periodic maintenance schedule for better performance and longer life of the equipment. The Company was required to adhere to maintenance schedules so prescribed by OEM to ensure long term sustainability of the generation units.

Unit-9 generation unit of Rokhia Generating Station was commissioned (31 August 2013) by Bharat Heavy Electricals Limited (BHEL). On 7 July 2014 (within the warranty period of 12 months), the Company observed abnormal increase in vibrations in GT Bearings-2 and Load Gear Box (LGB). BHEL advised (16 July 2014) to shut down the plant to conduct internal physical examination of plant. The Company ignored the advice of BHEL as the other unit (Unit 8) was already under shutdown for major inspection at that time. The Company, thereby, continued operating Unit 9 with periodic shut-down for short periods. The major inspection of Unit 8 could be taken up (July 2014) by the Company after more than two years of the original schedule (January 2012). Due to continued operation of Unit 9 under high vibrating conditions, the unit caught fire (24 July 2014). BHEL replaced the defective parts at a cost of ₹ 11 crore and the unit (Unit 9) was made operational with effect from 5 October 2014. Audit observed that the fault had occurred during the warranty period of the unit. BHEL, however, did not allow the repairing and replacement expenditure of the defective parts as the Company did not follow their recommendation to shut-down the unit. The Company, as such, had to bear the loss of ₹ 11 crore towards repairs cost of the unit. The Company had to further bear the loss of ₹ 5.07 crore towards net margin on the generation loss of 32.71 MU during the shut-down period.

The Management stated (November 2017) that delays in scheduled maintenance had not affected the performance of generating units. The Management further stated that the expenditure of ₹ 11 crore and generation loss was beyond its control.

The reply was not acceptable as these losses were caused due to non-adherence to the recommendation of BHEL to shut down Unit 9. Further, the Company had to forcibly keep Unit 9 operational despite the problem. This was due to the fact that the other unit (Unit 8) was already under shut to carry out the maintenance work behind the prescribed schedule at that time.

3.2.14 Fuel Management

The Company had two gas based thermal power generating stations (GSs), namely, Rokhia (21 MW × 3 units) and Baramura (21 MW × 2 units). Supply of the natural gas for operating these two GSs was from Oil and Natural Gas Corporation Limited (ONGC) and Gas Authority of India Limited (GAIL). The details of the gas supply agreements (Agreements) finalised by the Company with ONGC and GAIL are given in **Table 3.2.3**.

Table 3.2.3: Statement showing details of gas supply arrangements

Name of Supplier	Name of Plant	Periodicity of latest agreement	Nature of gas linkage	Daily contracted Quantity (MMSCMD[47])	Rate
GAIL	Rokhia	01 April 2008 for 5 years (extended)	APM[48]	0.50	APM rates as notified by Government from time to time
GAIL	Baramura		APM	0.20	
ONGC	Rokhia	1 April 2008 for 15 years	Additional	0.08 [49]	Rate as per agreement with annual 4 *per cent* increase
ONGC	Baramura	31 March 2010 for 15 years	Additional	0.20	

The agreements provided for minimum annual payments to gas suppliers as Annual Take or Pay Obligation (ATPO). The ATPO was equivalent to 90 *per cent* of the Annual Adjusted Contracted Quantity (AACQ). AACQ was to be determined by adjusting the Annual Contracted Quantity of gas towards shortfall[50] in supply of gas by the suppliers. To ensure steady cash flow to the gas supplier, however, the agreements provided for 'on account payment' against higher of bills for actual supplies or Monthly Minimum Guaranteed Off-take (MMGO) by the Company. The MMGO was equivalent to 85 *per cent* of monthly contracted quantity (*i.e.* number of days in a month × daily contracted quantity). The 'on account payment' so made against MMGO or actual supplies, as the case may be, was subject to yearly adjustment based on the ATPO bills at the end of each year. If the actual quantity supplied during the year was less than ATPO, the Company was entitled for free supply of make up gas equivalent to deficit in supplies.

3.2.15 Non receipt of gas as per linkages

The Company received 1,518.43 MMSCM[51] of gas during the period of five-years (2012-17) as against the total gas linkages of 1,788.58 MMSCM[52] of gas for the said period. Therefore, there was a shortfall of 270.15 MMSCM[53] in supply of gas by the suppliers. Due to short supply of gas caused by substantial drop of reservoir pressure

[47] Million Standard Cubic Meter per Day
[48] Administered Price Mechanism
[49] Original quantity: 0.10 MMSCMD, reduced to 0.08 MMSCMD from November 2009
[50] This shortfall could be on account of factors like force majeure events, scheduled maintenance up to 20 days (ONGC)/ 30 days (GAIL) as well as sellers' inability to supply gas, etc
[51] GAIL: 1277.50 MMSCM ONGC : 511.08 MMSCM
[52] Million Standard Cubic Meter
[53] GAIL :78.55 MMSCM; ONGC: 191.60 MMSCM

at supplier's end, the Company had to run its plant under partial capacity. This resulted in loss of generation to the extent of 288.257 MU electricity during 2014-17, which could generate potential net revenue amounting to ₹ 50.48 crore[54]. The Company had not taken any action against the gas suppliers for compensating the said losses as per the options available under the gas supply agreements.

The Management stated (November 2017) that it had no control over the short supply.

The reply was not tenable as the Company should have taken action against the suppliers to compensate the generation loss caused due to short supply of gas as per the options available under the gas supply agreement. The said options included, making up of gas short supplied, adjustment of gas supply bills, claiming of discount for short supplies, *etc*.

3.2.16 Payment for Monthly Minimum Guaranteed Off-take Bills

As noted under **Paragraph 3.2.14**, the agreement provisions relating to 'on account payment' against higher of actual supplies or Monthly Minimum Guaranteed Off-take (MMGO) bills were for ensuring steady cash flow to supplier. The 'on account payment' so made by the Company was subject to final adjustment at the year-end based on the actual gas supplied as per the Annual Take or Pay Obligation (ATPO) bills of the supplier for the year concerned.

Audit observed that during 2012-17, one gas supplier (ONGC) had claimed 'on account payments' under 30 MMGO bills[55] against supply of 80 MMSCM of gas for Rokhia and Baramura Generating Stations (GSs) of the Company. Audit further observed that during the 2012-17, the two GSs had to bear generation loss due to short supply of gas by the supplier. The Company, therefore, should have adjusted the 'on account payments' made to ONGC against said short supplies.

Audit observed that during 2012-17, the supplier (ONGC) had raised ATPO bills only on two occasions (once for each of the two plants) to adjust the 'on accounts payments' made by the Company against MMGO bills. The Company did not take up the issue effectively with ONGC for regular adjustment of the 'on account payments' at the end of each year against shortfall in supplies on part of the supplier (ONGC). On the contrary, the ONGC had claimed (June 2017) the penal interest (₹ 32.93 lakh) against the payment (₹ 12.12 crore) withheld by the Company for adjustment towards short fall in supplies by ONGC.

Audit further observed that as per the gas supply contract with ONGC, the Company was entitled to claim discount in case of any shortfall in gas supply on account of the reasons attributable to the supplier. The Company, however, did not take up the matter with ONGC and settled the gas supply bills of ONGC without claiming the discount

[54] Calculated as a difference between average realisation rate and additional cost to generate unit lost.
[55] {(Rokhia total 23 bills relating to 2012-13 to 2014-15 and 2016-17) and (Baramura 7 bills for 2012-13, 2013-14 and 2014-15)}

against short supplies. The amount of the discount not claimed by the Company worked out to ₹ 1.94 crore[56] as per the contract terms.

The Management stated (November 2017) that the Company had not raised issue of making-up the short-supplied gas with the supplier because it had not paid the MMGO bills. The Management, however, assured that once the contracted supply was restored, it would take up the matter with the ONGC.

The reply was not tenable as the agreement provisions relating to 'on account payment' were meant only to ensure steady cash flow to the supplier, and final payment was to be governed by the ATPO bills based on the actual supply. The Company however, failed to effectively pursue the issue for adjusting the 'on account payments' made by it against shortfall in supplies on regular basis.

The reply was, however, silent on not claiming the discount from ONGC against short supplies of gas as per the contract terms.

Power Trading Activities

Purchase of Power

3.2.17 Power Purchase Agreements

The total installed capacity of the Company was not sufficient to meet the total demand of the State as a whole. The deficit was met mostly from its share of power from Inter State Generating Stations (ISGSs)/Central Generating Stations (CGSs) of the region as per the allocation by GoI. The total availability of power in the State was inadequate to meet the State demand till 2013-14 even after considering the power allocation from ISGSs/CGSs (**Appendix 3.2.4**). The Company entered into total 12 Power Purchase Agreements (PPAs) on long term/medium term basis. The PPAs were entered into with NEEPCO[57] (nine generating stations), NHPC[58] (one generating station), OTPC[59] (one generating station) and NTPC[60] (one generating station). Operations of these CGs/ISGSs were to be regulated as per the Rules/Regulations, orders, *etc*. notified by the CEA and CERC.

3.2.18 Payment of infructuous fixed charges

The Company had entered into (September 2007) a PPA with National Thermal Power Corporation Limited (NTPC) for purchase of power from its Bongaigaon Thermal Power Station (BgTPS). Scrutiny of bills and Regional Energy Accounting (REA) revealed that the Company did not schedule all the power from BgTPS as per the entitlement (148.739 MU). Audit observed that the Company had left 107.180 MU of power un-requisitioned during the period from April 2016 to March 2017. The terms of PPA provided for payment of capacity charges (fixed) by the Company based

56 Worked out at 3 *per cent* (being minimum discount) of the deficit supplies at 90 *per cent* linkage.
57 North Eastern Electric Power Corporation Limited
58 National Hydroelectric Power Corporation
59 ONGC Tripura Power Company Limited
60 National Thermal Power Corporation Limited

on the power allocated without considering the actual power drawn. The Company was, thereby, liable to pay ₹ 21.88 crore towards capacity charges against the power not drawn/scheduled by it as per the allocation.

Audit observed that due to non-scheduling of all the allocated power from BgTPS as per its allocation, the unit cost of power from BgTPS increased upto ₹ 48.40/kWh (December 2016). The purchase of power from BgTPS, therefore, proved to be uneconomical and against the financial interests of the Company. The Company pursued (July 2016/January 2017) with the Ministry of Power, GoI through GoT for de-allocation of the power from BgTPS.

The Management accepted the audit observations and stated (November 2017) that the matter was under consideration of GoI.

3.2.19 Excess claim of surcharge on the Company

As per the Regulation 35 of CERC (Terms and Conditions of Tariff) Regulation-2009, if the payment of any power purchase bill was delayed by the beneficiary beyond a period of 60 days from the date of billing, the generating/transmission licensee was entitled to levy a late payment surcharge on the beneficiary concerned at the rate of 1.25 *per cent* per month (revised to 1.50 *per cent* per month vide Tariff Regulation 2014). As per the PPAs entered with NEEPCO, the levy of surcharge was to be governed by CERC regulations issued from time to time.

NEEPCO had claimed late payment surcharge from the Company on the unpaid power purchase bills (₹ 65.51 crore) relating to the periods prior to 2014-15. Audit observed that while claiming the late payment surcharge, NEEPCO did not allow the grace period of 60 days from the date of issue of power purchase bills contrary to the terms of PPAs. The Company, as such, had to bear an additional surcharge liability of ₹ 1.54 crore on this account. For the subsequent periods, however, NEEPCO had levied the late payment surcharge after allowing the grace period of 60 days as per the terms of the PPAs.

The Management assured (November 2017) to take up the matter with NEEPCO. Further development in the matter was awaited (November 2017).

3.2.20 Bulk Sale of power to Manipur and Mizoram

The Company entered into (November 2006) a Bulk Power Supply Agreement with Government of Manipur and Government of Mizoram for sale of power from Baramura Generation Station (BGS) of the Company. The tariff for sale of power under the agreement was to be fixed by TERC/CERC[61]. In addition to the power purchase cost, Manipur and Mizoram were also required to pay the ‘wheeling charges’ to the Company for evacuation of power from the plant through Company’s transmission system. In terms of agreement, the Company was required to file tariff

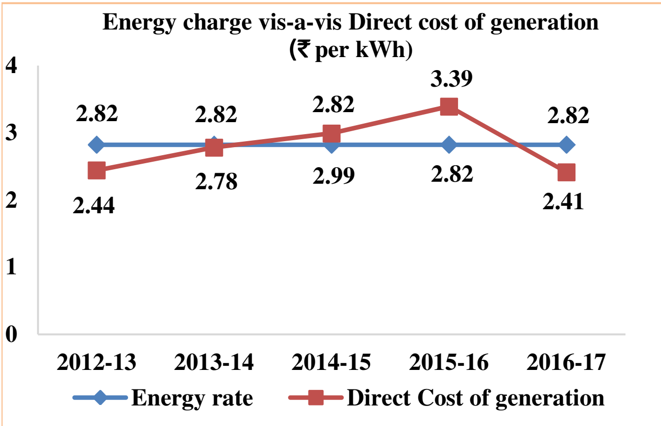
[61] As per the Section 79 (1)(b) of the Electricity Act 2003, the CERC was required to regulate tariff of generating companies if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one State.

petition with TERC/CERC within six months after signing of the agreements. The Company again entered (2011) into similar agreements with the Governments of two States (Manipur and Mizoram) for sale of power from Unit V of BGS. The audit observations in this regard are discussed in the succeeding paragraphs.

3.2.21 Sale below direct cost of generation

During the period covered by this PA, the Company had been billing Manipur and Mizoram at ₹ 3.012 per unit. The per unit sale price of electricity included energy cost (₹ 2.82 per unit) and wheeling charges (₹ 0.192 per unit). Audit, however, observed that the Company did not file any tariff petition with the regulatory authorities concerned for approval of tariff for bulk sale to Manipur and Mizoram in line with the provisions of the power supply agreement.

Graph 3.2.2



Audit analysed the per unit sale price of energy billed by the Company *vis-à-vis* the actual cost of generation of the plant during five years (2012-17). Audit observed that the energy rates charged by the Company against bulk supply of power to two States, were not sufficient to recover even the direct cost[62] of generation during two years (2014-15 and 2015-16) **(Graph 3.2.2)**. The Company could generate revenue of ₹ 90 crore against the direct cost of ₹ 101.77 crore of energy supplied to Manipur and Mizoram during the two years under reference.

As a result, the Company incurred loss amounting to ₹ 11.77 crore during 2014-15 and 2015-16. In addition to the direct cost, the Company also incurred indirect costs like depreciation, allocable cost of head office, cost of working capital, cost of capital (*i.e.* interest on debt, return on equity), *etc*. Audit observed that based on the quantum of power supplied to Mizoram and Manipur, 50 *per cent* of the depreciation relating to the assets[63] of BGS plant was allocable to these two States. During the three years (2012-15[64]), the Company had charged total depreciation of ₹ 17.14 crore on the assets of BGS. Audit observed that the depreciation to the extent of ₹ 8.57 crore was allocable to the power supplied to Mizoram and Manipur. The Company, however, could not recover any indirect costs allocable to BGS against sale of power to two States, which also included the depreciation (₹ 8.57 crore). The Company was, as such, unable to recover even the cost of generation to the full extent from the sale proceeds due to fixation of per unit sale price at lower side.

[62] Consist of cost of fuel, Employee cost of manpower posted in the plant and Repairs cost.
[63] More than 97 *per cent* of the assets of BGS represented plant and machineries.
[64] The Company had not finalised its accounts for subsequent years (viz. from 2015-16 onwards)

The Management stated (November 2017) that the additional cost during the year 2014-15 and 2015-16 occurred due to short supply of gas, which necessitated plant operations at partial load.

The reply was not tenable as the Company should have fixed the per unit sale price of electricity to two States after considering the actual cost of generation.

The Management further did not offer any comment on non-filing of the tariff petition to the appropriate regulatory authorities for finalisation of tariff in accordance with the PPA conditions.

3.2.22 Loss due to selling of additional power to Manipur and Mizoram

As per the Clause 1 of the Memorandum of Understanding, the Company was required to supply 50 *per cent* of power generated from Baramura Generation Plant (BGS) to Mizoram and Manipur in equal proportion. During the period covered under audit (2012-17), BGS generated 1,351 MU of power. Accordingly, the Company was required to sell 675.48 MU (*i.e.* 50 *per cent* of 1,351 MU) of power to Manipur and Mizoram at the rate of 337.75 MU each. Audit observed that during 2012-17, the Company sold 749.49 MU of power to these two States[65]. The power sold to of the two States was more than the allocated share by 74.01 MU. The generation cost of BGS was more than the tariff realised as discussed under **Paragraph 3.2.21**. The Company, therefore, sustained an additional revenue loss of ₹ 1.14 crore[66] by selling power in excess of allocable share to Manipur and Mizoram.

The Management stated (November 2017) that the additional cost incurred by the Company was abnormal, hence, it was not comparable with the sale of power to Mizoram and Manipur.

The reply was not tenable as only the regulatory authorities (CERC/TERC) are competent to decide on the admissibility of various element of cost. Further, the cost as worked out in audit covered only direct cost, while other indirect costs admissible as per the Tariff Policy were not taken into account in absence of sufficient data with the Company.

3.2.23 Non-raising of surcharge bills

As per the provisions of CERC's Tariff Regulations[67], the Company was to allow rebate of two *per cent* or one *per cent,* if, the payments against the power supply bills were made by the purchaser (beneficiary) within 2 days or 30 days from the date of billing respectively. In case, however, the beneficiaries failed to make payments within 60 days of the billing date, the Company was entitled to levy monthly

[65] Mizoram = 370.48 MU and Manipur = 379.01 MU

[66] Being sum of difference between the direct cost of generation and energy rate multiplied by additional quantity power supplied during that particular year

[67] Regulation 34 and 35 of the CERC (Terms and Conditions of Tariff) Regulations, 2009. For the period subsequent to 01 April 2014, similar provisions contained in Regulation 44 and 45 of CERC (Terms and Conditions of Tariff) Regulations, 2014

surcharge of 1.25 *per cent* (1.50 *per cent* per month with effect from 1 April 2014) on the bill amount.

The Company had accordingly, allowed rebate of ₹ 0.32 crore against 65 bills paid by two States (Mizoram and Manipur) within 30 days (including 2 bills paid within 2 days) of issuing the bills. Scrutiny of records, however, revealed that the two beneficiaries had delayed making payments against 88 bills by more than 60 days. Accordingly, the beneficiaries (Manipur and Mizoram) were liable to pay late payment surcharge of ₹ 1.60 crore. Audit observed that the Company raised surcharge bills for power supplied upto 2011-12 only and stopped raising surcharge bills for subsequent periods (2012-13 to 2016-17) without any recorded justification. This resulted in non-recovery of revenue amounting to ₹ 1.28 crore during the period covered under audit.

While accepting audit findings, the Company intimated (November 2017) about initiating the process of raising the claims for late payment surcharge. Further development on the issue was awaited (November 2017).

3.2.24 Aggregate Technical and Commercial Losses

> As per the Annual Report of Planning Commission on the working of State Electricity Boards and Electricity Departments, the Transmission and Distribution (T&D) loss of Tripura for the years 1991-92 to 1999-2000 ranged between 28 *per cent* (1999-2000) and 32 *per cent* (1991-92). During the period covered in audit, the yearly T&D loss ranged between 27.17 (2016-17) and 32.28 *per cent* (2013-14), which indicated no significant improvement in the T&D loss position in Tripura in more than a decade.

Energy losses occur in the process of supply of electricity to consumers on account of various factors like energy dissipated in the conductors, transformers and other equipment used for transmission, transformation and distribution of power, *etc*. These technical losses are inherent in the system and could not be avoided beyond a certain level. On the other hand, pilferage by hooking, bypassing meters, defective meters, errors in meter reading and underestimating the un-metered supply of energy are the main causes for commercial losses. When commercial losses are added to technical losses, it gives Transmission & Distribution (T&D) loss. There is another component of commercial loss which is attributable to non-recovery of the billed amount and the same is reflected in collection efficiency. T&D losses combined with the loss in revenue collection gives us Aggregate Technical & Commercial (AT&C) losses.

3.2.25 Revenue loss due to excess T&D loss

TERC had fixed T&D loss targets at 25 *per cent* and 22 *per cent* for the years 2012-13 and 2013-14 respectively while allowing provisional tariff for these years. The Company, however, could not achieve the said T&D loss targets during both the years. During the period covered under audit, TERC had trued up[68] tariff for the year

[68] During truing up of tariff, the regulatory authorities concerned assess the financial and operational performance of the Company for a tariff period *vis-à-vis* pre-defined estimates and norms. The difference, if any, is adjusted in the tariff for the subsequent period.

2012-13 while it had reviewed tariff for the year 2013-14. During the process, TERC had analysed the total power available (own generation *plus* power purchases), total power sold (bulk as well as domestic sale), auxiliary consumption and the inherent transmission loss in the Central grid. Considering these factors, TERC had disallowed the T&D loss in excess of the prescribed targets as per the details given in **Table 3.2.4**.

Table 3.2.4: Value of excess T&D loss disallowed by TERC

Year	Gross energy available (MU)	Permissible T&D loss (after deducting loss in Central grid loss, Auxiliary consumption, *etc.*) (MU)	Excess T&D loss (MU)	Unit rate (MU)	Value of excess T&D loss disallowed and adjusted by TERC in the ARR (*₹in crore*)
2012-13	1,230.43	227.68	96.07	3.11	29.92
2013-14	1,364.32	200.90	142.45	3.30	46.97
Total	**2,594.75**	**428.58**	**238.52**	**--**	**76.89**

Source: TERC Tariff orders for the year 2012-13 and 2013-14

As could be observed from **Table 3.2.4,** TERC had disallowed the T&D loss valuing ₹ 76.89 crore in excess of the prescribed targets for these two years (2012-14). The disallowed portion of T&D loss was taken as notional revenue and deducted from Annual Revenue Requirement (ARR).

Similarly, TERC had fixed T&D loss target of 22 *per cent* for the year 2014-15. TERC had not fixed T&D loss targets for subsequent years as the Company did not file the tariff petition for 2015-16 and 2016-17. Audit analysed the actual T&D losses of the Company during the years from 2014-15 to 2016-17. There had been a downward trend in the T&D losses of the Company during the said three years (2014-17). However, the T&D losses still ranged between 27.17 *per cent* and 30.08 *per cent*. Audit had considered the T&D target for 2015-16 and 2016-17 at the level of 22 *per cent* fixed for 2014-15. Based on this, the Company sustained an aggregate loss of ₹ 74.82 crore on account of excess T&D loss for three years (2014-17) as shown in **Table 3.2.5**.

Table 3.2.5: Loss due to excess T&D loss during 2014-17

Year	Target[69] (*per cent*)	Energy at State Bus (MU)	Energy Sold (MU)	Actual Loss (3 – 4) ÷ 3 × 100 (*per cent*)	Excess Loss (5-2) (*per cent*)	Excess Loss (3 × 6) (MU)	Unit rate (*in ₹*)	Loss (3×8) (*₹in crore*)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2014-15	22	1,124.346	786.117	30.08	8.08	90.847	3.28	29.80
2015-16	22	1,156.824	813.055	29.72	7.72	89.307	2.83	25.27
2016-17	22	1,189.794	866.564	27.17	5.17	61.512	3.21	19.75
Total		**3,470.964**	**2,465.718**	**28.96**	**6.96**	**241.666**	**--**	**74.82**

Sources: Target: TERC, Energy: Energy Accounting report of the Company, Unit Rate: Annual Accounts.

[69] As the T&D loss targets for 2015-16 & 2016-17 had not been fixed, the target set by TERC for the year 2014-15 was considered by audit for the years 2015-16 and 2016-17.

The Management stated (November 2017) that high T&D loss occurred due to extension of rural electrification as well as aging of the distribution system.

The reply was not tenable as the impact of rural electrification on the overall T&D loss was already analysed by TERC while disallowing excess losses mentioned in **Table 3.2.4**. Further, there were other areas of leakages like existence of high number of un-metered consumers, non-billing of consumers, *etc*. which needed to be addressed by the Company.

3.2.26 Metering of Consumers

As per Section 55 (1) of the Electricity Act 2003**,** no licensee shall supply electricity, after the expiry of two years from the appointed date, except through installation of a correct meter in accordance with regulations to be made in this behalf by the Authority. The National Tariff Policy 2005 as well as study report[70] of the Forum of Regulator stressed upon the need of 100 *per cent* metering of the consumers for reduction of AT&C losses.

Scrutiny of records of the Company revealed that during the period covered in audit, 10 to 26 *per cent* of the consumers in Tripura were either un-metered or the meters provided to them became defective. The Company, as such, had been raising bills on a 'lump-sum basis' in respect of said consumers in absence of correct information on energy consumption. As per the Regulation 6.11 of TERC's Supply Code Regulation-2011 (Supply Code), the Company was required to replace defective meters within three billing cycles[71] of noticing the defect. Audit analysed the cases of defective meters in nine sub-divisions[72] of the Company during the period of five years (2012-17) covered in the PA. Audit observed that out of total 52,792 cases of defective meters in the said sub-divisions, the Company could replace only in 13,361 meters (25.31 *per cent*) within the stipulated period. Audit further observed that in 480 cases (0.91 *per cent*), the Company could not replace the defective meters throughout the period of five years covered in audit.

The Regulation 6.11 of the Supply Code further provided that in respect of the consumers having defective meters, provisional billing should be done on the basis of average bills for previous three billing cycles. Audit analysed the billing done by the Company in respect of consumers having defective meters during five years (2012-17) in selected 9 out of 20 sub-divisions. Audit observed that the Company raised bills without considering the average consumption of the consumers for relevant prior periods[73] resulting in short billing of 6.411 MU of energy valuing ₹ 1.69 crore. The short billing had also contributed towards higher AT&C loss of the Company. High instances of consumers with no meter or defective meters might result in unrestricted consumptions by the consumers leading to further increase in AT&C losses.

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[70] Electricity Reforms and Regulations -A Critical Review of Last 10 Years' Experience published in 2009

[71] A billing cycle consists of 25 to 35 days.

[72] Panisagar, Damcherra, Amtali, Matabari, Jatanbari, Bishalgarh I, Bishalgarh II, Melaghar and Jampuijala.

[73] For 105 days considering maximum days for three billing cycle.

The Management stated (November 2017) that the replacement of defective meters was done constantly.

The reply was not tenable as there were numerous instances of defective meters coming up regularly. The Management was required to review the quality of meters supplied along with the status of replacement of defective meters thoroughly.

The Management, however, did not offer any comments on unmetered consumers.

3.2.27 Metering of distribution transformers

The Company had been using distribution transformers (DTs) of different capacities to step down the voltage level of High Tension (HT) line based on the number and connected load of consumers. Metering of these DTs could be useful in identifying the theft cases by comparing the aggregate meter reading of individual consumers with the reading of respective DTs after appropriate adjustment for T&D loss. Scrutiny of metering status of the Company revealed that during four years from 2012-13 to 2015-16[74], 68 *per cent* (2012-13) to 77 *per cent* (2015-16) of the DTs remained un-metered. The Company could not carry out proper supervision of the energy supplied due to existence of such high instances of unmetered DTs. This had exposed the Company against probable leakage of revenue on account of theft/pilferage of electricity.

The Management, while accepting audit observation, stated (November 2017) that it would propose metering of all un-metered DTs under the upcoming centrally sponsored schemes.

Revenue Management

3.2.28 Adequacy of Security Deposit

As per the Regulations 4.114 to 4.120 of the Supply Code, the Company was entitled to collect security deposits from consumers to safeguard the collection of the electricity dues. The said security deposits should be equivalent to bills for one billing cycle[75] *plus* one month's consumption. The Company was also required to monitor the adequacy of security deposits *vis-à-vis* billed consumption of consumers on an annual basis. In case of any shortfall in security deposit, the Company was required to raise demand for the deficit amount. The supply code also provided for payment of interest on security deposit at prevailing base rate of State Bank of India. Adequacy of security deposits would be helpful for the Company to recover outstanding dues from defaulting consumers by adjusting the said deposits against unpaid dues.

Audit scrutiny revealed that the Company had not periodically reviewed the adequacy of security deposits with reference to the annual consumption of the consumers. Audit observed that during last five years (2012-17), the security deposits available with the Company covered the consumption equivalent to intra-state sale of 8 to 10 days only instead of 60 days[76] as stipulated under the Supply Code. Inadequacy of security

[74] Figure for 2016-17 not available.
[75] A billing cycle consists of 25 to 35 days.
[76] Considering 30 days for an average billing cycle consisting of 25-35 days *plus* one months.

deposits reduced the chances of realising the unpaid dues from the defaulting consumers as the TERC Supply Code allowed disconnection of supply of defaulting consumers only after 60 days[77] of issuing the bill.

Audit scrutiny of the 'consumer billing system' in 9 out of 20 sub- divisions[78] revealed that that the Company had been recording the security deposits collected as miscellaneous receipts. Audit further observed that in 8.51 *per cent* of cases test checked, there was no linkage between the security deposit collected and the consumers concerned. In absence of any linkage between the security deposit collected and the individual consumers concerned, the Company was not in a position to effectively review the adequacy of the security deposit on periodic basis.

The Management replied (November 2017) that the revised security deposits were recovered in respect of additional load during raid and inspection of consumer premises.

The reply was not acceptable as the supply code provided for periodical/annual review of the security deposit relating to all the consumers and not just for those with additional load detected during raids and inspections.

3.2.29 Irregularities in allowance of Subsidy

As per Section 65 of the Electricity Act 2003[79], the State Government is permitted to allow subsidy in the tariff to any consumer or class of consumers. The subsidy is however, required to be paid in advance so that the subsidy so provided could be considered for finalisation of Tariff by TERC. The Company had been allowing the subsidy to the targeted beneficiaries by reducing the subsidy amount from Gross tariff approved by TERC. The subsidy amount allowed to the consumers during a year depended upon total power sold during that year. The Company was, therefore, required to ensure that the subsidy allowed to beneficiaries does not exceed the corresponding amount received on this account from GoT. During scrutiny of records of the Company, following irregularities were observed:

a. The Company allowed supply of power at subsidised rates from the date on which tariff was made effective without ensuring receipt of corresponding subsidy amount from GoT. During four years (2012-13, 2013-14, 2015-16 and 2016-17), the Company allowed subsidy to consumers without receipt of corresponding amount from GoT in advance. During the remaining one year (2014-15), the Company received only partial amount (₹ 30 crore out of ₹ 62 crore) before issue of tariff orders. The Company, therefore, did not comply with the relevant statutory provisions while allowing subsidy to consumers.

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[77] One billing cycle (30 days) plus 15 days as due date for payment of bills plus notice period of 15 days.

[78] Panisagar, Damcherra, Amtali, Matabari, Jatanbari, Bishalgarh I, Bishalgarh II, Melaghar and Jampuijala.

[79] To be read with clause 8.2 of the Tariff Policy issued by Government of India and Regulation 7 of TERC (Tariff Procedure) Regulation, 2004.

b. The Company had been receiving subsidy amount from GoT. The subsidy so received was subject to adjustment based on the actual supply of power to subsidised categories of consumers. Actual sales volume during the period 2012-17 varied from (-) 12 *per cent* to (+) 13 *per cent* of the sales estimates made during tariff finalisation. There was, however, no system in place to monitor the subsidy amount actually allowed to the consumers *vis-à-vis* amount of subsidy received from GoT for raising of additional subsidy claims, if necessary, based on actual subsidised supply.

   The Management accepted the audit finding regarding non-review of actual amount of subsidy allowed. The Management also assured (November 2017) to introduce an appropriate mechanism to avoid the issue. Further development in this regard was awaited (November 2017).

Aggregate Revenue Requirement

3.2.30 Filing of tariff petitions

As per the Regulation 3 of the TERC-Tariff Regulation 2004, the Company was required to file tariff petition before TERC at least 120 days in advance from the proposed effective date of the revised tariff. The TERC, while approving (25 June 2013) the tariff order for 2013-14, had also directed the Company to file the tariff petitions in advance to enable implementation of the revised tariff from the 1st day of April each year. The details of the due and actual dates of filing the tariff petitions by the Company and effective dates of tariff revisions for the five tariff years (2012-17) have been given in **Table 3.2.6**.

Table 3.2.6: Due and actual dates of filing tariff petition and effective dates of tariff revision for five years (2012-13 to 2016-17)

Year	Due date of filing petition[80]	Actual date of submission	Date of approval by TERC	Effective date of tariff orders
2012-13	03 December 2011	16 January 2012	28 March 2012	1 April 2012
2013-14	02 December 2012	11 March 2013	25 June 2013	1 April 2013
2014-15	02 December 2013	18 July 2014	22 November2014	1 November 2014
2015-16	02 December 2014	Not filed	--	--
2016-17	03 December 2015	Not filed	--	--

As could be observed from the **Table 3.2.6**, the Company had filed the tariff petition after significant delays during three years (*viz.* 2012-13, 2013-14 and 2014-15) out of five years under reference. For the year 2014-15, the Company filed tariff petition after more than three months of commencement (1 April 2014) of the related financial year. As a result, the revision in the tariff for 2014-15 could be made effective from 1 November 2014, *viz.* after seven months of the commencement of the tariff year concerned. The Company, as such, continued to bill consumers at pre-revised rates of 2013-14 for the first 7 months (April-October 2014) of the year 2014-15. Delay in filing of tariff petition and consequent delay in implementation of revised tariff rates

[80] Considering 120 days in advance from 1st April of the Tariff Year.

had caused deferment in realisation of revenue amounting to ₹ 16.14 crore[81] against power sold (489.13 MU) during April 2014 to October 2014.

Further, the Company had not filed the tariff petitions for the tariff years 2015-16 and 2016-17 so far (February 2018) even after lapse of more than three years and two years of due dates respectively. This was mainly due to non-finalisation of the annual accounts of the Company for these two years. For these periods, the Company continued to raise bills at the tariff rates approved for the year 2014-15 despite an increase of 5.47 *per cent* and 24.52 *per cent* in overall cost of the Company for the year 2015-16 and 2016-17 respectively[82]. This had caused deferment of realisation of revenue for 2015-16 and 2016-17 to the extent of ₹ 188.07 crore[83] till the time of truing-up of tariff by TERC.

The Management accepted (November 2017) that the delays in filing of tariff petition was due to non-finalisation of Annual Accounts on time and assured that it would file tariff petition by April 2018 covering all legitimate claim including truing of earlier expenses.

3.2.31 Non claiming of Revenue gap

During the period covered by the PA, TERC had trued up tariff for the years 2011-12 and 2012-13. TERC had further reviewed tariff for the year 2013-14. During the process, TERC had allowed (November 2014) the Company to claim the 'deferred revenue gaps[84]' as approved by it, at the time of finalisation of the tariff for subsequent years. The year-wise position of the approved 'revenue gaps' for three years (2011-14) *vis-à-vis* the 'losses' for the relevant year as per the audited annual accounts of the Company for the respective year has been given in **Table 3.2.7**.

Table 3.2.7: Position of loss *vis-à-vis* revenue gap

(₹in crore)

Year	Loss for the year as per the Audited accounts	Revenue Gaps approved by TERC
2011-12	(-) 120.33	(-) 79.53
2012-13	(-) 107.44	(-) 75.29
2013-14	(-) 106.73	(-) 19.49
Total	**(-) 334.50**	**(-) 174.31**

81 Calculated by multiplying total power sold during April 2014 to October 2014 with average increase in tariff by TERC w.e.f. 1 November 2014 (viz. 489.13 MU x ₹ 0.33 per unit).

82 as per the provisional figures submitted by the Company.

83

Sl No	Particulars	2015-16	2016-17	Total
1	Total energy sold in the intra State market (MU)	813.055	866.564	1679.619
2	Potential increase in tariff per unit due to corresponding increase in cost (in ₹)	0.32	1.87	--
3	Grand Total (Sl. No. 1 × Sl. No. 2 × 10,00,000 unit in per MU) (₹ in crore)	26.02	162.05	188.07

84 The difference between the revenue requirement as approved by TERC and that allowed to be considered for tariff fixation in the current year.

As could be seen from **Table No 3.2.7**, TERC had approved revenue gap aggregating ₹ 174.31 crore for three years for 2011-12 to 2013-14. The Company was entitled to claim the said revenue gaps during finalisation of tariff for subsequent years. The Company, however, did not claim[85] these revenue gaps while submitting tariff petition for subsequent years. The unclaimed 'revenue gaps' during three years (2011-14) constituted 52.11 *per cent* of the 'losses' of the Company during the said years, which was significant. The Company could have improved its financial position to a significant extent by claiming the said revenue gaps as per its entitlement.

Financial Management

3.2.32 One Time Settlement (OTS) with Government consumers

Section 56(1) of the Electricity Act 2013[86] empowered the Company to take strict measures against the consumers who default in payment of electricity dues on time. These measures included forfeiture of the security deposits of the defaulting consumers to recover their unpaid dues as well as disconnection of supply of defaulters after giving notice of not less than 15 days. Therefore, it was the responsibility of the consumers to pay their electricity dues on time.

Audit reviewed the records of the Company relating to the electricity dues receivable by it. Audit observed that as of April 2016, the outstanding electricity dues in respect of various departments of Government of Tripura (GoT consumers) stood at ₹ 86.50 crore (Principal: ₹ 61.76 crore; delayed payment surcharge: ₹ 24.74 crore). The Board of Directors (BoD) of the Company approved (April 2016) the 'One Time Settlement' (OTS) for GoT consumers by waiving ₹ 16.50 crore out of the said outstanding dues (₹ 86.50 crore) prevailing at that time. The Company, however, did not set any time frame for GoT consumers to clear the approved OTS amount (₹ 70 crore). Audit observed that against the OTS amount (₹ 70 crore) approved for GoT consumers, GoT released (May 2016) ₹ 30 crore only and balance amount of ₹ 40 crore remained unpaid (March 2017). Examination of records of the Company further revealed that under the 'UDAY[87] scheme' of GoI, a Memorandum of Understanding (MoU) was entered into (29 March 2017) between the Company, GoI and GoT. The 'UDAY scheme' intended to improve the efficiency and attain operational turnaround of the Company. Under the said MoU, GoT had committed to pay remaining outstanding dues (₹ 40 crore) of GoT consumers within 31 March 2017. The GoT, however, released ₹ 20 crore only during April 2017 (₹ 10 crore) and September 2017 (₹ 10 crore) while the balance amount (₹ 20 crore) remained unpaid (October 2017). Audit observed that the waiver of dues (₹ 16.50 crore) of GoT consumers under OTS would be passed on to 'other consumers' as a component of the

[85] As of February 2018.

[86] Read with the Regulation 6.31 to 6.33 of the TERC Supply Code Regulation 2011 and the Tariff orders issued by TERC from time to time.

[87] Ujwal DISCOM Assurance Yojana (UDAY) was the financial turnaround and revival package for electricity distribution companies of India (DISCOMs) initiated (November 2015) by the Government of India with the intent to find a permanent solution to the financial mess existing in the power distribution sector.

tariff through ARR. Waiver of unpaid dues of GoT consumers in the present case, as such, tantamount to granting of special concession to the GoT consumers at the cost of 'other consumers'.

3.2.33 Delays in payment despite having surplus fund

The Company parked surplus fund in Fixed Deposits (FDs) of different maturity periods with various banks. Analysis of funds parked under these FDs revealed that during the five years (2012-17) covered under the PA, minimum balance kept under these FDs on 'per day' basis ranged between ₹ 123.21 crore and ₹ 231.76 crore. The Company earned interest on those FDs at rates ranging between 4 and 10.20 *per cent* per annum.

Audit observed that despite holding sufficient cash balances in FDs, the Company did not pay its power purchase bills raised by NEEPCO and OTPC within the due dates. Audit observed that both the power suppliers (NEEPCO and OTPC) had raised surcharge bills at the rate of 15 *per cent* (18 *per cent* from 2014-15) on the Company for default in payment of dues on time. Audit further observed that the annual rate of interest earned (4 to 10.20 *per cent*) by the Company against FDs was far below the rate of the late payment surcharge. By holding the surplus cash in FDs and deferring the payment against power purchase bills, the Company incurred minimum financial loss of ₹ 13.03 crore towards late payment surcharge as detailed in **Table 3.2.8**, which is an example of bad financial management.

Table 3.2.8: Loss due to holding additional cash equivalent and deferring the legal liability

(₹in crore)

Year	Outstanding dues			Minimum FD balance	Payment possible	Loss[88]
	NEEPCO	OTPC	Total			
2012-13	42.97	--	42.97	231.77	42.97	2.06
2013-14	111.14	27.68	137.82	170.58	123.21	3.84
2014-15	88.92	73.61	162.53	189.06	123.21	2.88
2015-16	168.00	101.00	269.00	158.27	123.21	3.74
2016-17	30.33	101.00	131.33	123.21	123.21	0.51
Total					**--**	**13.03**

The Management replied (November 2017) that most of the FDs were made out of different Central/State Government sponsored schemes which could not be utilised for payment of power purchase dues.

The reply was not acceptable as the Audit had worked out the minimum balances in FDs after considering the own funds of the Company only and as such, GoI/GoT sponsored scheme funds have been excluded.

[88] Being difference between interests earn on highest FD interest rate and prevailing surcharge rate on the amount of bills which could have been paid. Loss has been calculated considering waiver of surcharge by NEEPCO.

3.2.34 Environmental Issues

It was essential for the Company to obtain the Environmental Clearance (EC) from the appropriate authority before taking up the works relating to new power projects/plants or expansion/modernisation of existing power plants. In the case of thermal based power generation projects/plants, the Ministry of Environment, Forest and Climate Change (MoEFCC), GoI is the appropriate authority for obtaining the EC. In this regard, the Company was required to submit an application, in prescribed format to MoEFCC, along with a report on environmental impact assessment. The Company was not allowed to undertake any construction activities for the project till the MoEFCC, GoI issued the required EC for the project.

Further, Tripura State Pollution Control Board (TSPCB) issued 'consent to operate' for different categories of industrial units. As per the conditions of the 'consent to operate' issued by TSPCB from time to time, the power plants were essentially required to install the 'online emission and effluent monitoring system' to observe the level of 'suspended particulate matters and gaseous pollutants'. The Central Pollution Control Board (CPCB) also issued (February 2014) notification requiring the state pollution control boards to issue similar directions in the respective states for installation of 'online emission and effluent monitoring system' to 17 category of industries including the power sector industry by March 2015 (extended upto June 2015).

Scrutiny of records relating to Rokhia Generating Station (GS) of the Company revealed that the Company had not applied for obtaining the EC from GoI before the commissioning of units 7, 8 and 9 of the GS. The Company, as such, had been operating the said three units of Rokhia GS without obtaining the mandatory EC. During the study of the records of the Company, it was observed that out of five thermal power units (Rokhia: 3 units and Baramura: 2 units) of the Company, only two units (one each for Rokhia and Baramura) had been installed with the mandatory 'effluent monitoring system'. The Company, hence, failed to comply with the mandatory statutory provisions relating to environment protection.

The Management accepted the observation and assured (November 2017) for installation of online continuous emission monitoring system in all the units of Rokhia and Baramura Generating Stations.

3.2.35 Renewable Purchase Obligation

TERC issued (2010) Regulation[89] governing procurement of energy from Renewable sources[90] in accordance with the provisions of the Electricity Act, 2003 (Sections 61, 66, 86 and 181). The Regulation provided for minimum quantum of energy to be mandatorily procured by the Company from the said Renewable sources. TERC further issued (October 2015) Renewable Energy Regulations (Multi Year Tariff)

[89] TERC (Procurement of Energy from Renewable Sources) Regulations, 2010.

[90] Renewable sources of energy include small hydro, wind, solar based generating plants including their integration with combined cycle, biomass, bio fuel cogeneration, urban or municipal waste and as such other sources as recognised or approved by MNRE.

2015 enhancing the quantum of Renewable Purchase Obligation (RPO) for necessary compliance by the Company. Both these Regulations provided for the minimum obligatory percentage of power required to be sourced by the Company from solar generation. In case of any shortfall in meeting the said RPO, the Company was required to purchase Renewable Energy Certificate (Solar certificate in case of deficit in procurement of solar component of RPO) of equivalent value, to fulfil the deficit. In case the Company failed to fulfil the prescribed RPO or did not purchase equivalent value of REC to fulfil the RPO deficit, the Company was required to deposit a sum as determined by TERC, into a separate fund. TERC determined the quantum of said fund based on the forbearance price fixed by CERC from time to time. The said fund was to be utilised for purchasing REC and creation of infrastructure for evacuation of power from the Renewable energy sources.

Audit, however, observed that the Company was unable to meet RPO obligation for ‘solar energy’ during all the five years (2012-17) covered under audit. It could also not meet RPO against ‘non-solar generation’ during the last two years (2015-16 and 2016-17). The Company had also failed to purchase any REC to meet the deficit against prescribed RPO. Audit further observed that the Company was under obligation to create separate fund by depositing ₹ 126.47 crore[91] due to non-fulfilment of the RPO deficit. The Company, however, did not comply with the regulatory provisions in this regard (September 2017).

The Management assured (November 2017) to develop and promote solar energy in the State as per the target fixed by GoI and also to meet RPO obligation against solar power through own source of the Company or by purchasing equivalent value of RECs.

3.2.36 Monitoring and Control System

An effective monitoring and control system of an organisation ensures achievement of organisational objectives, effective utilisation of resources and safeguarding of assets. An effective Management Information System (MIS) further helps the organisation in the decision making process besides acting as an important tool for managerial monitoring and control of the activities of the organisation. Audit observed the following weaknesses in the monitoring and control system of the Company.

3.2.36.1 Finalisation of accounts

As per the provisions of the Companies Act 1956 and the Companies Act 2013, a Company was required to finalise and adopt its audited annual accounts in its Annual General Meeting (AGM) within six months[92] from the close of the relevant financial year. Audit observed that the Company had adopted its audited accounts in the AGM only up to the financial year 2014-15 only[93]. TERC had trued up the tariff up to the

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[91] Worked out at forbearance at the rate of ₹ 13,400 per REC for 94,380 MwH as approved by CERC for the period 2012-13 to 2016-17 wherein 1 REC = 1 MwH

[92] Registrar of Companies (ROC) could allow further extension of 3 months based on the application of the Company.

[93] Adopted on 21 September 2017

year 2013-14 based on the audited accounts for the years concerned. The tariff for the year 2014-15 was pending to be trued up by TERC (December 2017). Further, the tariff for subsequent two years (2015-16 and 2016-17) had not been approved by TERC pending finalisation and certification of accounts of the Company for the said two years. Not truing up/non-revision of tariff after 2013-14 had adversely affected the liquidity position and operational revenue of the Company.

The Management assured (November 2017) to take all necessary steps for finalisation of accounts in due time.

3.2.36.2 Real time monitoring activities

State Load Despatch Centre (SLDC) was an apex body to ensure integrated operation of the power system in any State. Under Section 32 of the Electricity Act 2003, the SLDCs were responsible for optimum scheduling and despatch of electricity, energy accounting, control over transmission system as well as real time control and operations of the electricity transmitted within the State.

The SLDC of Tripura located in Agartala, was connected with the generating stations and grid sub-stations using Remote Terminal Units (RTUs). These RTUs were expected to send real-time data to SLDCs to help in carrying out their real-time supervisory and monitoring activities. Scrutiny of the records of the Company, however, revealed that out of 25 RTUs of the Company, 17 RTUs (68 *per cent*) were not sending real time data to SLDC. Deficiency in the performance of RTUs had adversely affected the real time supervisory and monitoring activities of the Company besides defeating the purpose of their installation.

The Management stated (November 2017) that the work of replacement of RTUs was in progress.

3.2.36.3 Bank Reconciliation Statement

Revenue collections at the level of sub-divisions of the Company were deposited in bank accounts operated at the divisional level. The sub-divisions submitted periodic statements on the collections made and deposited in the bank to the divisions concerned. The divisions were required to prepare monthly Bank Reconciliation Statements (BRSs) based on the monthly bank statements and the information collected from sub-divisions. The divisions were also required to take appropriate action in case of any deviations including non-realisation of cheques collected from consumers against electricity bills.

Scrutiny of records revealed that there was no practice in the Company to prepare the BRSs at divisional level. Audit observed that the head office of the Company prepared the BRS only at the year-end at the time of compilation of the annual accounts. Audit further observed the instances of adopting the figures by the head office, on revenue collection and deposits, which were different from those appearing in the records of the divisions. Audit scrutinised the nine BRSs (as on 31 March 2015) as submitted by the Company for verification. Audit observed existence of stale cheques (₹ 0.31 crore), short credits (₹ 12.88 crore) and unidentified credits (₹ 14.78 crore) in bank accounts, differences between physical cash book and cash book maintained in Tally (₹ 0.25 crore), excess debit by bank (₹ 0.51 crore), *etc*. The head office of the Company, however, could not identify the exact nature of these inconsistencies due to the long time lag between the date of individual transaction and preparation of BRS. Internal auditors had also underlined the issue of delay and irregularity in preparation of the BRSs by the Company. The Company, however, had not taken any corrective measure in this regard. The irregularities in preparation of BRS had, thereby, made the Company vulnerable against the risk of embezzlement/misappropriation of funds besides providing an unrealistic picture of its liquidity position.

The Management assured (November 2017) to take necessary steps in this regard.

3.2.36.4 Inaction on the Report of internal auditors

The Report of internal auditors for the years 2012-13 to 2015-16 highlighted several cases of persistent irregularities as summarised in **Table 3.2.9**.

Table 3.2.9: Irregularities pointed out by internal auditors

Nature of irregularities	Year of internal audit report
Cash shortages in 5 sub-divisions amounting to ₹ 18.96 lakh (period 2012-13 to 2014-15)	2013-14, 2014-15 and 2015-16
Non-closures of cash book periodically	2013-14, 2014-15 and 2015-16
Irregularities in payment of statutory dues	2012-13, 2013-14, 2014-15 and 2015-16

The Audit Committee of the BoD instructed (27 February 2016) the Company to take action on the recommendations of the Internal Auditors and submit action taken report for the same. The Company, however, did not take any effective action in this regard (November 2017).

The Management accepted the observation and assured (November 2017) to take suitable action in the matter.

3.2.36.5 Non monitoring of consumption by temporary consumers

Audit had scrutinised the records of the Company relating to temporary connections under 11 sub-divisions[94] out of 20 sub-divisions selected in the PA. Audit observed that none of the said 11 sub-divisions had any system to monitor or assess the actual consumptions against the temporary connections. This information should be appropriately taken into account while billing/collecting the consumption charges in respect of such connections. The consumers with temporary connections were, thereby, allowed to consume the electricity without any restriction and control. The sub-divisions collected only the minimum charges at the time of installation of such connections.

The Management stated (November 2017) that final adjustment for all the temporary connections was done based on actual meter reading.

[94] Dharmanagar I, Dharmanagar II, Durgachowmohani, Banamalipur, GB, Capital Complex, IGM, Pratapgarh, Udaipur, Amarpur and Sonamura

The reply was factually incorrect as the billing system of the Company did not indicate any kind of adjustment based on actual meter reading.

3.2.37 Raid and inspection cases

Theft of energy is one of the major factors contributing towards commercial losses. As per Section 135 of Electricity Act 2003 (Act), theft of energy is an offence punishable under the Act. The Supply Code issued by TERC spelled out the mechanism for assessment of penalties for various offences. The Supply Code further provided that the Reports prepared by the officials conducting raid and inspection should have proper mention of various parameters in this regard. The Supply Code also prescribed the periodicity of inspection in respect of various categories[95] of meters installed at the premises of consumers. Year-wise details of raids conducted by the Company during the five years (2012-17) covered under audit are given in **Table 3.2.10**.

Table 3.2.10: Statement showing position of raid and inspection conducted

Year	No of metered consumers	No of raids conducted	No of meters checked	No of theft cases detected	Amount realised (₹ in lakh)	Percentage of checking
2012-13	5,38,618	1,242	21,068	9,104	45.89	3.91
2013-14	5,25,005	2,539	33,463	12,501	107.28	6.37
2014-15	5,93,212	3,306	64,152	15,598	192.37	10.81
2015-16	6,32,680	3,176	61,556	12,245	130.68	9.73
2016-17	6,57,464	3,621	49,179	12,137	128.45	7.48

It could be seen from **Table 3.2.10** that percentage of meters checked by the Company during the five years (2012-17) ranged from 3.91 *per cent* to 10.81 *per cent* against the minimum requirement of 20 *per cent*[96] prescribed under the Supply Code. The system of assessment of penalty was also not transparent. Audit observed that in most of the cases, the inspecting officers did not mention the basis of calculation of penalty in the inspection reports and penalties were levied on lump sum basis. Further, there were also cases where the sub-divisional officials reduced the assessed amounts without recording any justification. Further, while furnishing the details of raids and inspection cases to the divisions concerned, the sub-divisions had neither reported the assessed amount of penalties nor had recorded the same in the computerised database.

The Management stated (November 2017) that target of meter checking would be ensured by following the matter vigorously with the sub-divisions.

The reply was, however, silent on non-existence of required transparency in calculation and reduction of penalties.

CONSUMER SERVICES

3.2.38 Consumer satisfaction is vital for any business organisation. The Electricity Act, 2003 read with provisions of various Regulations issued by TERC required the Company to maintain certain standards of performance while discharging its duties.

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[95] Single phase: once in 5 years; LT 3 phase: once in 3 years and HT with MDI: yearly (regulation 5.29)

[96] Considered all meters as single phase which were required to be checked within 5 years (viz. at the rate of 20 *per cent* per year) as per the Supply Code.

The said standards related to various aspects including redressal of consumer grievances relating to breakdown of lines and electrical equipment, which adversely affected supply of electricity.

3.2.39 Consumer Grievances

Addressing consumer grievances is one of the primary objectives of any electricity distribution utility. The Company had established 165 call centres throughout the State with the aim to resolve the consumer grievances within the reasonable time. The consumers lodged their complaints with the call centres by calling helpline number or physically visiting the call centre concerned. The details of the complaint along with the name and address of the complainant were entered in the complaint log book maintained at the call centres. After resolution of the complaint, the same were to be recorded and signed in the log book by the attending staff.

Audit had selected 20 sub-divisions for detailed examination and visited 20 call centres attached with them. Audit further examined the records of another 15 call centres attached with said sub divisions. Audit observed that only 13[97] out of 20 call centres visited by Audit had been using the printed formats of complaint log book as provided by the respective electrical divisions. Of the remaining seven call centres, six[98] were not following any format for the complaint log book. The remaining one[99] call centre had been recording the complaints in the correspondence/issue register. The Company, as such, had not been following any standardised format of the complaint log across the sub-divisions.

Photograph 3.2.1: A call centre without telephone connection

Audit further observed that the time of receipt and resolution of complaint was hardly recorded in the log book. As such, it was not possible to assess the efficiency of grievance redressal mechanism *vis-a-vis* the standards fixed by TERC. Some of the printed formats consisted of a separate column for the signature of officer-in-charge. In 8 out of 20 call centres visited by Audit, however, the officer concerned had not signed the said column. All the entries were made by the attending staff and there was no managerial level monitoring of the activities of these call centres. Audit also observed that none of the 20 sub-divisions test checked had been apprising the higher authorities about the position of consumer complaints resolution through periodic reports.

[97] Amtali, Bishalgarh-I, Bishalgarh-II, Udaipur, Matabari, Dharmanagar-I, Dharmanagar-II, Panisagar, Damcherra. Durgachaumuhani, IGM, Amarpur and Jatanbari.

[98] Capital Complex, GB, Pratapgarh, Jampuijala, Melagarh and Sonamura.

[99] Banamalipur ESD-I

Audit further observed that out of test-checked 35 call centres functioning under 20 selected sub-divisions, 27 were operating 24 hours a day while the working hours of remaining eight call centres[100] ranged between 6 am and 10 pm. In case of an emergency during late hours in night, thus, there was no way for consumers to lodge the complaint, which could prove to be fatal especially in times of emergency.

The infrastructure of the call centres was poor as 16 out of the 35 call centres did not have a telephone connection. The Company had implemented the universal complaint helpline number (1912) for lodging complaints, but such facilities were restricted only to pre-dominantly urban areas covered under the Restructured Accelerated Power Development Reforms Programme of GoI. The consumers had to physically visit the call centres to lodge the complaint, which were operating without telephone facility. This caused hindrance to the citizens residing in remote areas.

Audit further noticed shortage of vehicles in 12 out of 35 call centres of the Company, which would also be a hindrance in resolving the complaints the reasonable time. These observations were indicative of the fact that the consumer grievances redressal mechanism of the Company was inadequate and ineffective.

The Management assured (November 2017) to provide requisite printed log books at call centres besides instructing Senior Manager/ Manager concerned to monitor and inspect the call register for timely redressal.

3.2.40 Ease in bill payments: Bill payment kiosk

The Company had taken several measures to enhance the ease of paying electricity bills for the consumers. These measures included installation of a kiosk in Krishnanagar, Agartala. The kiosk was helpful for senior citizens, differently abled persons, sick and other consumers in general, especially during rush hours. Consumers could use the kiosk to pay their electricity bills in a few simple steps. The Company, however, could not operate these kiosks after demonetisation (8 November 2016) of old currency notes of ₹ 500 and ₹ 1,000 denomination by the Reserve Bank of India as the size of these notes differed from old currencies. This caused temporary idling of infrastructure created by the Company thereby causing hardship to the needy users.

Photograph 3.2.2: A Non-functional kiosk

The Management stated (November 2017) that the kiosk had been made operational (November 2017) for currency of small denomination[101]. The Management also informed that after installation of required software and hardware upgrade, the kiosk would be operationalised.

[100] Pratapgarh, Medda Chowmuhani (Pratapgarh ESD), Matabari, Natun Bazar (Dharmanagar) and four call centres of Bishalgargh-I ESD.

[101] ₹ 10, ₹ 20, ₹ 50 and ₹ 100.

The reply was not tenable considering the abnormal time of more than 11 months taken in re-operationalisation of the kiosk after the demonetisation (8 November 2016). This led to idling of infrastructure for the above period.

3.2.41 Promptness in bill delivery

The Company had been using Spot Billing Machines (SBMs) in the sub-divisions where Billing was done under SAP system. The Company's representative (meter reader) downloaded the previous reading data of consumers from the SAP system. After recording current reading as reflected in meters at consumer's premises, the meter reader delivered the bills generated from SBM on the spot itself. The due date of bills was calculated from the date of printing of bills. On the spot delivery of bills had ensured that every consumer got sufficient time for payment of bills. As the SBM facilitated the meter reading and bill delivery simultaneously, it also increased the billing efficiency of the Company.

3.2.42 Acknowledgement

Audit acknowledges the cooperation extended by the Company and the Government of Tripura at each stage of the audit process involved in conducting the present audit.

3.2.43 Conclusion

The Company failed to achieve various operational norms resulting in extra cost and loss of potential revenue. Monitoring and internal control system of the company was ineffective due to delays and insufficient Management Information System, inaction and lack of transparency. The infrastructure for ensuring satisfactory consumer service delivery remained partially operational and insufficient thereby affecting provision of mandated services.

3.2.44 Recommendations

The Government/Company may consider:

a. achieving the prescribed operational norms by curtailing areas of losses and leakages of revenue;

b. strengthening the monitoring and internal control system so as to avoid delays, inaction and other operational weaknesses;

c. improving the service delivery mechanism so as to enhance the satisfaction level of the consumers through efficient operations;

d. Finalised its accounts timely to avoid deferment of revenue by the TERC and also incurring opportunity loss (interest or amount differed by TERC).

INDUSTRIES AND COMMERCE DEPARTMENT

(Tripura Industrial Development Corporation Limited)

3.3 Undue favour

The Company extended undue favour to contractors by not recovering the interest of ₹ 51.74 lakh on delayed recovery of mobilisation advances.

The Tripura Industrial Development Corporation Limited (Company) appointed (August 2011) IL&FS[102] Cluster Development Initiative Limited[103] as consultant (Consultant) for planning, engineering procurement and actual implementation of the project relating to "Establishment of International Fairground & Exhibition Centre at the existing Jute Mill Compound, Hapania, Agartala" (estimated cost: ₹ 38.61 crore). The agreement provided that all contracts for the project should be awarded by the Consultant on behalf of the Company. The terms of the agreement further provided that all payments to the agencies/contractors should be made by the Company after the same were duly recommended by the Consultant.

The Consultant awarded (August 2012) the work for construction of Civil Work (Phase-I, Package No. 1) of the project to M/s Jaypee Projects Limited (JPL), Kolkata at a bid price of ₹ 19.87 crore. The work was scheduled for completion by 28 August 2013. The Consultant awarded (June 2014) another work relating to construction of Closed Exhibition Centre (Phase-I, Package No. 2) to M/s Swapan Ch. De (SCD) at ₹ 49.65 crore with the stipulation to complete the work by 15 June 2016.

Both the contracts *inter alia* provided for release of mobilisation advance up to 10 *per cent* of the contract price. The Company was required to commence *pro rata* recovery of mobilisation advances from the running bills of the contractors on reaching the payments to 20 *per cent* of the contract price. The Company was to complete recovery of the mobilisation advances from each contractor on or before the payments against 80 *per cent* of the respective contract value become due. In case the mobilisation advances remained unrecovered before the expiry of the original schedule of each work, the Company was entitled to recover interest at the rate of 12 *per cent* per annum from the contractors on the unrecovered portion of the mobilisation advance.

The Company released mobilisation advance aggregating ₹ 1.99 crore to JPL against 100 *per cent* Bank Guarantee (BG). The advance was released in two instalments (December 2012/January 2013) of ₹ 99.36 lakh each. Similarly, the Company released (February 2015) mobilisation advance of ₹ 2.50 crore to SCD against BG of ₹ 2.48 crore.

Test check (November–December 2016) of records of the Company revealed that as against the scheduled completion of two works by August 2013 (Package 1) and

[102] Infrastructure Leasing & Financial Services
[103] A company registered under the Companies Act, 1956 and having its registered office in New Delhi

June 2016 (Package 2), execution of both the works lagged behind the schedule by 38 months (Package 1) and 4 months (Package 2) respectively. Audit further observed that contrary to the agreement terms, the Company could fully recover/adjust the mobilisation advance from two contractors (JPL and SCD) after 32 months (JPL) and 8 months (SCD) from the original scheduled date of completion of the respective work. Position of recovery of mobilisation advance and interest leviable thereon as per the contract terms is shown in **Table 3.3.1**.

Table 3.3.1: Adjustment of mobilisation advance and interest leviable

Particulars	Package No.	
	1	2
Name of contractor	JPL	SCD
Date of commencement of work	29 August 2012	16 June 2014
Scheduled date of completion of work	28 August 2013	15 June 2016
Mobilisation advance (MA) paid	₹ 1.99 crore	₹ 2.50 crore
MA adjusted upto expiry of original time for completion	₹ 0.05 crore	₹ 0.90 crore
Date on which MA finally adjusted	10 May 2016	28 February 2017
Interest leviabletill the date of adjustment of MA	₹ 40.87 lakh	₹ 10.87 lakh

Examination of records, however, revealed that the Company did not recover the interest of ₹ 40.87 lakh (JPL) and ₹ 10.87 lakh (SCD) from the two contractors for delayed period of recovery of mobilisation advances in contravention to the provisions of the contract. The Company, thereby, extended undue favour to the contractors aggregating ₹ 51.74 lakh as detailed in **Appendix 3.3.1**.

The Government/Management accepted the observation and stated (July 2017) that the interest on late recovery of mobilisation advance would be deducted from the final bills of the contractors. Further development in the matter was awaited (February 2018).