CHAPTER V: MINISTRY OF HOUSING AND URBAN AFFAIRS

Chennai Metro Rail Limited

5.1 Avoidable payment of compensation charges for Low Power Factor

Chennai Metro Rail Limited incurred avoidable payment of ₹9.08 crore by way of compensation charges levied by Tamil Nadu Generation and Distribution Corporation Limited due to Low Power Factor.

The Tamil Nadu Electricity Regulatory Commission (TNERC) vide its order No.1 of 2012 (30 March 2012) stipulated that in respect of High Tension (HT) service connections, the Average Power Factor[1] (APF) of the consumer installation should not be less than 0.90. If the APF is less than the stipulated level, compensation charges ranging from one *per cent* to two *per cent* of the current consumption charges would be levied. Further, Regulation 13(3) of Tamil Nadu Electricity Distribution Code (TNEDC), 2008 stated that 'the licensee should maintain the system power factor at the level of minimum of 0.90 (lag) at the interface(s) and carry out system improvement measures at strategic points in the distribution system by undertaking useful system studies and installing the required VAR[2] compensation equipment to meet the situation'. Further, it was obligatory on the part of the consumer to improve the power factor of their connected loads to the required level in accordance with the provisions of the code.

Chennai Metro Rail Limited (CMRL), being HT power consumer with two service connections (Koyambedu and Alandur) with maximum demand of 5 MVA per month each, was required to maintain power factor at 0.90 as stipulated by TNERC.

Audit observed that the actual power factor achieved by CMRL was below the prescribed power factor of 0.90 during the period from January 2014 to March 2017 in respect of Koyambedu connection and during February 2016 to March 2017 in respect of Alandur connection. Consequently, Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) levied compensation charges amounting to ₹9.08 crore (₹5.32 crore for Koyambedu and ₹3.76 crore for Alandur) for the period from January 2014 to March 2017, which were paid by the Company.

The Management replied (August 2018) that it installed the VAR project equipment to match the full system requirement of Phase 1 of the Metro Project. As the underground stations were not commissioned and only elevated station loads were energised during the period from January 2014 to March 2017, it could not maintain the prescribed power factor. The company further stated that after commissioning (May 2017) of underground section, the energy consumption was increased and power factor also improved. The Ministry endorsed (November 2018) the views of the Management.

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[1] ***Power factor means the ratio of the real power to the apparent power.***

[2] ***VAR – Volt ampere reactive (VAR) is a unit by which reactive power is expressed in an AC electric power system.***

The fact was that VAR power factor compensation panels were installed only between May 2017 to July 2017 (except one which was installed in November 2016) and power factor was corrected. Delay in taking corrective action resulted in non-compliance of statutory requirement as well as avoidable expenditure of ₹9.08 crore by way of compensation charges levied by TANGEDCO.

Housing and Urban Development Corporation Limited

5.2 Irregular payment of perquisites

Housing and Urban Development Corporation Limited provided perquisites of ₹16.22 crore to its executives during 2009-10 to 2018-19, which were beyond the ceiling fixed by DPE for the perquisites and allowances under the cafeteria approach.

The Department of Public Enterprises (DPE) issued (November 2008) guidelines on revision of scales of pay in Central Public Sector Enterprises (CPSEs) which were effective from January 2007. The guidelines permitted the CPSEs to follow 'Cafeteria Approach', which allowed the executives to choose from a set of perquisites (perks) and allowances (except North East Allowance, Allowance for Underground Mines, Special Allowance for serving in difficult and far flung areas, Non-Practicing Allowance for Medical Officers and House Rent Allowance/ Leased Accommodation) subject to a maximum ceiling of 50 *per cent* of basic pay. The said maximum ceiling was revised to 35 *per cent* of basic pay vide DPE guidelines (August 2017) on pay revision w.e.f. January 2017.

The Board of Directors of Housing and Urban Development Corporation Limited (HUDCO) approved house building advance, convenience advance, marriage advance welfare advance, festival advance and computer advance at concession rate of interest ranging between zero *per cent* to eight *per cent*.

HUDCO approved (December 2008) a set of four perks and allowances under cafeteria approach, which was enhanced (February 2018) to a set of 19 perks and allowances. The differential rate of interest on advances is treated as perks under the Income Tax Act, 1961 and HUDCO also considers it as part of the taxable salary of its executives for deducting tax at source. However, HUDCO did not include these perks under cafeteria approach, which was irregular.

HUDCO disbursed various advances at concessional rate of interest to its executive posted at Corporate Office and 21 Regional Offices. The value of concessional interest for the period from 2009-10 to 2018-19 was ₹16.22 crore[3].

The Management replied (3 April 2019) that DPE in its guidelines for cafeteria approach has not classified interest concession on the advances as perks and allowances.

The reply is not acceptable as DPE, in its guidelines for the cafeteria approach, has specified certain perks and allowances which are to be excluded in applying the limits of 50 *per cent* or 35 *per cent* of basic pay and does not include concessional interest on

[3] ***Information of perks value in respect of seven Regional Offices is awaited from HUDCO.***

employee advances. The concessional interest value has also been treated by HUDCO as perks under the provisions of Income Tax Act.

HUDCO excess expenditure of ₹16.22 crore on perks and allowances to their employees from 2009-10 to 2018-19 due to non-adherence of DPE guidelines.

The matter was referred to the Ministry in April 2019; their response was awaited (May 2019).