

PRESS BRIEF

Report of the Comptroller and Auditor General of India for the year ended 31 March 2020 – Performance of Tamil Nadu Generation and Distribution Corporation Limited during pre and post Ujwal DISCOM Assurance Yojana- Government of Tamil Nadu - Report No.7 of 2021 – Tabled in the Tamil Nadu Legislative Assembly on 10.05.2022.

Introduction

With the objective of improving the health of state-owned Electricity distribution Companies (DISCOMs), the Ministry of Power, Government of India (GoI) launched the Ujwal DISCOM Assurance Yojana (UDAY) Scheme (November 2015). It envisaged reforms for realising affordable and accessible 24x7 Power for All through financial turnaround and improving operational efficiency of the DISCOMs. A tripartite Memorandum of Understanding (MoU) was signed (January 2017) amongst GoI, GoTN and TANGEDCO specifying the responsibilities of the respective parties for achieving the operational and financial milestones.

This Performance Audit was taken up to assess the performance of TANGEDCO for achieving financial turnaround as well as the targeted operational improvement and intended outcomes envisaged in the tripartite MoU and the Scheme.

Financial Management

- GoTN, against its obligation to take over 75 *per cent* of the debt, had agreed to take over only 34.38 *per cent* consequently, TANGEDCO was saddled with a loan of ₹30,502 crore, which resulted in additional interest burden of ₹9,150.60 crore.
- In respect of the remaining 25 *per cent* debt i.e., ₹7,605 crore, TANGEDCO was required to issue State Government guaranteed bonds with lesser interest. This was not agreed by GoTN. Consequently, the loans carrying higher rate of interest were continued resulting in additional interest burden of ₹1,003.86 crore.
- Due to partial takeover of debt, failure to convert 25 *per cent* debt into bonds and the increase in borrowings for generation project by 87.05 *per cent* and working capital by 189.88 *per cent* during five years ending 2019-20, the outstanding debts

increased from ₹81,312 crore (September 2015) to ₹1,23,895.68 crore at the end of 2019-20.

- TANGEDCO had to pay ₹503.28 crore to Banks/FIs as overdue and penal interest.

Implementation

- The gap between the Average Cost of Supply (ACS) and Average Revenue Realised (ARR) should have been brought to zero by 2018-19. Instead, it increased from ₹0.60 (2015-16) to ₹1.07 per unit (2019-20) and the total the total shortfall during 2015-20 worked out to ₹42,484.70 crore.
- TNERC had directed TANGEDCO to complete the process of providing meters to all the Hut and Agricultural consumers by June 2012 and September 2012 respectively. However, TANGEDCO failed to complete the same and claimed subsidy based on number of service connections and Horse Power basis respectively resulting in loss of revenue of ₹1,541.49 crore.
- The principle of Merit Order Despatch was not scrupulously followed in scheduling of power by State Load Despatch Centre resulting in procurement of power at additional expenditure of ₹28.45 crore during 2018-20.
- Non-renewal of Power Purchase Agreement at the TNERC approved rate of ₹3.50 resulted in additional expenditure of ₹149.02 crore.
- There was under reporting of AT&C loss in the range of 2.24 to 3.41 per cent during 2015-20. The value of energy lost as per CEA's method of calculation was ₹6,547.25 crore.

Recommendations

- Audit recommends that GoTN and TANGEDCO may review and restructure the debts to reduce the interest cost, submit tariff petitions to TNERC regularly, calculate the AT&C losses accurately as per the methodology prescribed by CEA to have better control over it.
- TANGEDCO may work out plan of action for feeder segregation with a focus to reduce the AT&C loss.