Chapter 7:

Appraising outcomes

7.1. Targets and achievements

The status of achievement of RGGVY targets in respect of un-electrified villages, electrification of rural and BPL households upto 31 March 2010 (when the scheme was planned to be completed[93]) as well as up to March 2012 in 27 States where the scheme was being implemented, was as follows:

Table 26: Component-wise targets and achievements

Sl. No.	Particulars	Target	Achievement as of 31 March 2010	Achievement as percentage of target	Achievement as of 31 March 2012	Achievement as percentage of target
1.	Electrify all un-electrified villages and habitation as per new definition	1,23,601	78,256	63.31	1,04,496	84.54
2.	Providing access to electricity to un-electrified households (including BPL households)	4,12,88,438	1,12,97,770	27.36	2,15,04,430	52.08
3.	Providing free electricity connection to BPL households	2,30,10,265	1,00,97,026	43.88	1,90,80,115	82.92

[93] Scheme was targeted to be completed by 2009. However, figure is considered as of 31 March 2010 because as per guidelines dated March 2005, scheme was to be implemented within five years.

Further, as on 31 March 2012, against the electrification target of un-electrified villages, rural households and BPL households, percentage achievement was 85 *per cent,* 52 *per cent* and 83 *per cent* respectively. State-wise un-electrified village electrification target and achievement, rural household electrification target and achievement and BPL household electrification target and achievement as on 31 March 2012 are shown in A**nnexes 15, 16 and 17** respectively.

RGGVY did not achieve its targets of electrifying all villages or households either by March 2010 or even after a delay of 24 months (upto March 2012).

Moreover, the objective of the RGGVY was to accelerate rural development, generate employment and eliminate poverty through irrigation, small scale industries, village and khadi industries, cold chains, healthcare, education and IT. MOP did not conduct any specific study of requirement of agriculture/other activities. Thus, there was no mechanism available with MOP to ascertain whether consequential benefits of RGGVY were actually achieved.

MOP accepted audit view and stated (August 2013) that "*they had put all the concerted efforts to achieve the targets of various parameters under RGGVY. However, due to delay in awarding of contract by the PIAs, delay in providing BPL list to PIAs by the state utilities, inadequate project management capabilities etc the achievement was hindered.*"

Box 15: Uttar Pradesh-Non-release of BPL connections

In 186 villages of seven projects (Allahabad, Barabanki, Etawah, Jalaun, Kanpur Nagar, Kaushambi and Lalitpur), 1141 BPL connections were projected to be connected. In spite of development of infrastructure like line and transformers for supply of electricity in these villages, at a cost of ₹ 12.94 crore, no BPL connection was released (September 2012).

7.2. Non-coverage of APL Households

As of 31 March 2012, the target and sanctioned coverage was fixed for electrification of only 1.83 crore APL households as against 5.46 crore APL households in the country.

- Only 24.24 lakh APL households were provided electricity as on 31 March 2012. Thus, only 4.43 *per cent* of un-electrified APL households were provided electricity.

- While 23 out of 25 States, less than 50 *per cent* of the sanctioned coverage (target) of APL households, was provided electricity in the X Plan. In 24 out of 25 States, less than 50 *per cent* of the sanctioned coverage (target) of APL households was provided electricity in XI Plan.

- In 15 States[94], not even a single APL household was provided electricity connection during X Plan. Similarly in 11 States[95] not even a single APL household was provided electricity connection during XI Plan.

MOP stated (August 2013) that "*the information in respect of connections to APL beneficiaries which are generally released after completion of RGGVY project itself is not furnished by the DISCOM to the REC and consequently not captured in MIS of RGGVY. Further, figures shown in MIS with reference to the connections released to APL HHs did not reflect true picture as most of the States did not report the information.*"

MOP's reply indicates that there is lack of coordination between REC and PIAs. It also shows that MIS does not depict the complete picture envisaged under RGGVY in terms of coverage of APL households.

7.3. Non-implementation of Decentralized Distribution-cum- Generation projects

RGGVY introduced implementation of Decentralized Distribution-cum- generation (DDG) projects[96] in March 2005 itself for such villages where grid connectivity was either not feasible or not cost effective and where Ministry of Non Conventional Energy Sources (MNRE) would not be providing electricity from non-conventional energy sources under their remote village electricity programme of 25,000 villages. DDG was to be implemented through conventional or renewable or non-conventional sources such as biomass, bio fuel, bio gas, mini hydro, geo thermal and solar *etc*. Funding would be on the pattern of 90 *per cent* subsidy from GOI and 10 *per cent* loan from REC or from own funds of the State/loan from financial institutions. Monitoring Committee (MC) of RGGVY, while sanctioning DDG projects under RGGVY, was expected to coordinate with MNRE to avoid any overlap.

Despite introducing DDG in March 2005, MOP made a provision of ₹ 540 crore for such projects only in 2008 at the time of continuation of RGGVY in XI Plan. This provision was made without specifying the total number of DDG projects which were likely to be undertaken. Clear-cut identification/listing of number of villages where DDG projects would be located, was also absent.

Though the initial guidelines issued by MOP on 18 March 2005 stipulated that, DDG projects were to be implemented within two years from the date of notification of the scheme, *i.e.* by March 2007, the first project was sanctioned only in July 2010.

Further, in January 2008, while approving the provision of capital subsidy for DDG projects, the note to CCEA stated that guidelines for DDG projects were to be issued within one month

[94] Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Kerala, Manipur, Meghalaya, Mizoram, Odisha, Tripura, Uttar Pradesh, Uttarakhand and West Bengal

[95] Assam, Bihar, Chhattisgarh, Jharkhand, Kerala, Manipur, Meghalaya, Mizoram, Odisha, Punjab and Tripura

[96] Vide its order No. 44/19/2004/D (RE) dated 18 March 2005

of the sanction of the scheme and implementation was to be completed by 2012. However, MOP took one year to issue the DDG guidelines, *i.e.* in January 2009.

MOP, in its reply, stated (February 2013) that, *"this was a new scheme which needed suitable guidelines. For this, wide consultation with State(s) was required and after consultation, it was finally decided to issue the guidelines on 12 January 2009. Further it is also stated, that the requirement of release of fund for DDG had arisen in 2011-12."* MOP added (April 2013) that "*DDG guidelines were issued on 12 January 2009 and amended guidelines issued on 5 January 2011, 17 March 2011 and 18 March 2011. In the guidelines there is no mention regarding completion of DDG within two years. There were no specific targets either cost wise or state-wise."*

As MOP had frequently modified DDG guidelines, it indicated that MOP itself was not clear about DDG projects. Further, it was MOP's own proposal in note to CCEA that these projects were to be implemented in two years.

This also needs to be viewed against the fact that while projects were sanctioned, no funds were disbursed till February 2013. From 2011-12, MOP changed its target from 'number of projects to be implemented' to 'amount of funds to be released'. The target for sanction of DDG projects in 2011-12 was ₹ 150 crore against which the achievement was ₹ 151.85 crore. In 2012-13, the target for sanction and disbursement of DDG projects was ₹ 300 crore and ₹ 100 crore, respectively. Against the 2012-13 targets, MOP was able to sanction projects for ₹ 7.58 crore but had not disbursed any funds till February 2013.

From MIS data provided by REC, it was seen that, as of 31 March 2012, 263 DDG projects had been sanctioned since 2010 with a combined sanctioned amount of ₹ 264 crore. Though the requirement of release of funds for DDG arose in 2011-12, the matter continued to be under consideration with MOP (February 2013), which underlines the need for greater seriousness in operationalising DDG projects.

MOP stated in Exit conference (September 2013) that the scheme of DDG projects had been extended to cover already electrified villages where power supply is less than six hours a day in addition to villages where grid connectivity is either not feasible or cost effective. This would allow project developers to cover a contiguous cluster of villages consisting of both un-electrified and partially electrified villages to make DDG projects more viable.

The fact remains that a focussed approach on DDG projects was missing and the projects which were to be completed in two years (*i.e.* by 2007) had not yet taken off (February 2013).

7.4. Non-energisation of electrified villages

The actual benefit of the scheme can reach the rural population only when infrastructure created is actually energized and electricity flows to their households. As on 31 March 2012, the cumulative achievement for electrification of un-electrified/de-electrified villages was 1,04,496. However, out of these 1,04,496 villages electrified during the X and XI Plan periods, only 94,932 villages were actually energized, as of 31 March 2012. Thus, 100 *per cent* energisation had not been achieved for even the X Plan projects, though five years had elapsed since the end of the Plan. In the case of the XI Plan projects, about 80 *per cent* of the villages electrified under RGGVY had been energized till the end of the Plan period.

Though infrastructure had been created in States which were lagging behind in electrification at the launch of RGGVY, progress of energisation left much to be desired, e.g. in Arunachal Pradesh only 26.96 *per cent* of electrified villages were energized and in Mizoram only 35.48 *per cent* of electrified villages of XI plan period were energized.

According to the MIS Report of REC on RGGVY projects, 398 and 277 substations were erected during the X and XI plan respectively. However, out of these erected substations, only 360 and 80 sub-stations were commissioned (March 2012).

MOP stated (May 2013) that "*main reasons for gap in energisation were non-completion of 33/11 KV substations, right of way problems, delay in obtaining Railway clearance, etc*". MOP further replied (August 2013) that "*there is a permitted time gap of three months between completion of a village and energisation of the same and there is a gap of energisation of 5,985 villages as on 31 March 2012 instead of 9,564 considering the progress allowing the gap of three months.*"

Reply of MOP should be seen in the light of the fact that it was resolved in Power Ministers' Conference held on 3 June 2010 to energize already completed villages by June 2010 and thereafter within 15 days of the completion of work. Due to non- energisation of completed villages, the flow of real benefit of electrification to the intended beneficiaries would be delayed. Further, such delays may also lead to theft and deterioration of newly created infrastructure.

7.5. Revenue Sustainability

Funds under RGGVY were provided to PIAs for development of electrification infrastructure. In order to maintain such infrastructure, created under RGGVY, and to provide uninterrupted quality of power supply, it was essential that the projects were revenue sustainable in the long run. In turn, in order to ensure revenue sustainability, it would be important to ensure that there was a commercially viable mechanism so that the cost of providing electricity[97] was recovered and subsidy released. MOP guidelines issued on 18 March 2005 and 6 August 2008 specifically noted that revenue sustainability and appointment of franchisees were two important conditions for implementation of the scheme. MOP addressed these issues by incorporating, *inter alia*, the following provisions in the guidelines issued for implementation of RGGVY:

- Determination of Bulk Supply Tariff for franchisees in a manner that ensures commercial viability

[97] Including the cost of maintenance of infrastructure developed under the scheme

- Provision for requisite revenue subsidy by the State Governments to the SPUs as required under the Electricity Act, 2003

The appointment of franchisees was considered such an important issue that the Department of Expenditure, Ministry of Finance (MOF) warned (27 November 2006) that without the promised arrangement in place, the Scheme would push the State Electricity Boards (implementing agencies) into further financial distress. In fact, the MOF opined (November 2006) that, with regard to implementation of RGGVY till that time, the substantive issue of revenue sustainability and appropriate franchisee system, which were promised as the main pillars of the programme of rural electrification, were, nowhere, addressed.

The above two conditions were not addressed appropriately in the implementation of the Scheme in both X Plan (2002-07) and XI Plan (2007-12).

MOP replied (August 2013) that, *"Ministry has proposed not to make the condition of deployment of franchisees mandatory in X and XI Plan projects and also in XII Plan of RGGVY. The same has been approved by the CCEA"*.

The reply needs to be viewed against the fact that the issue of franchisee was apparently included after detailed deliberations and thought treating them as the main pillars of rural electrification. The objectives of revenue sustainability, reduction in transmission and distribution losses, reduction in commercial losses through franchisees were not possible to be achieved fully, due in part to the PIAs disregarding the conditions of RGGVY guidelines (March 2005) for appointment of franchisees and in part to REC's / MOP's inability to ensure compliance of these conditions by States. The fact remains that the aspect of revenue sustainability, reduction in transmission and distribution losses, reduction in commercial losses through franchisees would continue to be crucial to the successful achievement of envisaged outcomes and providing the long term benefits of the scheme to the beneficiaries.

7.5.1. Business Plan

Guidelines for formulation of projects under RGGVY issued by REC required submission of a business plan[98] giving details of cash outflow, for the next 15 years, on account of investment[99], operation cost[100] and cost of bulk power (input) as well as cash inflow from category-wise sale of power to consumers, revenue subsidy and other revenues.

There were instances of incomplete/non-submission of business plan in respect of **81** out of selected 162 DPRs. As an illustration, in **Assam**, the business plans submitted by PIA in respect of Goalpara, Barpeta, Bongaigaon, Morigaon and Karbi Anglong districts were prepared in contravention of National Electricity Policy (NEP) and objectives of RGGVY.[101]

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[98] Format F4(REC's Project Formulation Guidelines)

[99] Initial capital investment and expansion of network in future

[100] Cost of billing and revenue collection, O & M expenses, depreciation, insurance, repayment of loan installment interest *etc*.

[101] RGGVY provided for completion of the project within two years.

The plan envisaged electrification of the targeted BPL households (1.30 lakh) and rural households other than BPL (1.28 lakh) within periods ranging from two years to fifteen years and five to fifteen years, respectively. Further, revenue forecast, in the business plan, for the planned electricity connection to 1.30 lakh BPL households was on the basis of energy charges of ₹ 2.75 per unit whereas actual charge was only ₹ 2.50 *per* unit which reduced the possible revenue collection. Thus, there was scope for preparing business plan on a more realistic basis and in line with the overall targets of RGGVY.

7.5.2. Revenue collection

In **Maharashtra,** there were lapses in identification of consumers, delay in issue of first bill, non-issue of bills, *etc*. which are described below. Such lapses have led to short realisation of funds to the extent of ₹ 2.98 crore and outstanding amount of ₹ 10.88 crore to be recovered.

- In **Maharashtra**, there was no mechanism in place to reconcile beneficiary wise connections released by the contractors and connections fed into IT system for billing purpose before effecting payments to the contractors.
  - In seven[102] out of ten selected projects, the first bills were yet to be raised (March to October 2012) in respect of 0.47 lakh out of 2.10 lakh BPL connections released up to September 2011 despite lapse of six to fourteen months from the month of connection. The unbilled amount in these cases worked out to ₹ 2.98 crore.
  - Further, even after considering initial period of two months for processing, there were delays of more than one year in raising the first bills on 5,930 BPL households in ten selected projects.
  - Dues of ₹ 1.67 crore became recoverable at the end of August 2012 from 7623 BPL consumers whose connections were permanently disconnected due to non-payment of bills. In addition, dues of ₹ 9.21 crore were recoverable from 1.44 lakh consumers from these ten projects. Thus, as against the total dues of ₹ 10.88 crore (₹ 9.21 crore *plus* ₹ 1.67 crore), the security deposit available with PIA was only ₹ 0.23 crore leaving a shortfall of ₹ 10.65 crore.

7.5.3. Provision of revenue subsidy

Guidelines for implementation of RGGVY (March 2005) required provision for requisite revenue subsidy by State Governments to SPUs as required under the Electricity Act, 2003. Section 65 of the said Act provides,

"if the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, within in advance in the manner as may be specified, by the State Commission, the amount, to compensate the person affected by the grant of subsidy in the manner the State Commission

[102] Ahmednagar, Aurangabad ,Jalana , Nashik, Sangli, Sindhudurg and Thane-Kalyan

may direct, as a condition for the license or any other person concerned to implement the subsidy provided for by the State Government.

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall be applicable from the date of issue of orders by the Commission in this regard."

Thus, the State Governments were to compensate the electricity distribution licensees[103] responsible for distribution of electricity in the respective States, in advance, for the estimated loss of revenue caused by reduced tariff for BPL consumers. However, requisite revenue subsidies on account of reduced BPL tariff was not paid in seven States, *i.e.* **Assam, Gujarat, Jharkhand, Karnataka, Uttarakhand, Uttar Pradesh and West Bengal**. Three instances are discussed below:

- In **Gujarat**, from February 2009 onwards, the tariff for BPL consumer was less than general tariff; however, the State Government did not pay as subsidy to compensate SPUs for the reduced BPL tariff.
- In **Karnataka**, though, two DISCOMs (BESCOM during 2005-06 and CESCO during 2008 to 2010) provided electricity to BPL consumers free of cost for consumption up to 18 units, the State Government did not pay revenue subsidy to DISCOMs for the period.
- In **Uttar Pradesh**, short reimbursement of subsidy by State Government to SPUs aggregated ₹ 1,758.85 crore during 2005-06 to 2010-11.

7.5.4. Appointment of franchisees in States

Revenue sustainability was also to be ensured through deployment of franchisees[104]. Franchisees could be non-governmental organizations, users associations, co-operatives or Panchayati Raj institutions. MOP's note (February 2005) to CCEA also required that prior commitment of the State Government be obtained, before grant of subsidy, regarding the details of the deployment of franchisees for the management of rural distribution in projects financed under the scheme.

The status report of RGGVY Projects as of 31 March 2012 indicated that 37,614 franchisees had been deployed in 17 States covering 1,75,655 villages out of 3,53,049 villages under RGGVY projects. This implied that franchisees were deployed in approximately half (49.75 *per cent)* of the villages under RGGVY projects. No franchisee was appointed in **ten** States, *i.e.* Andhra Pradesh, Arunachal Pradesh, Jammu and Kashmir, Jharkhand, Kerala, Manipur, Mizoram, Punjab, Sikkim and Tamil Nadu. 28,919 franchisees, *i.e.* 76.88 *per cent* of the total

[103] DISCOMs/State Electricity Boards

[104] As stated (August 2013) by MOP, the mandatory condition of deployment of franchisees was relaxed subsequently for X, XI and XII Plan projects.

number of franchisees, were deployed in only two States[105]. In fact, some States adopted very inconsistent practices. For instance,

- As per the REC guidelines on Franchisee Development, franchisees were to be given a return not exceeding 10 *per cent*. The bulk supply tariff fixed by SPU in **Assam** considered a return of 15 *per cent* after allowing 2 *per cent* of the tariff for meeting cost of maintenance of LT line. Thus, undue benefit was passed on to franchisees in the form of higher than stipulated rates and returns.
- In **Haryana**, DISCOMs had neither appointed franchisees as per REC guidelines nor got bulk supply tariff determined from Haryana Electricity Regulatory Commission (HERC) to ensure commercial viability of franchisees. Instead, the DISCOMs had outsourced the functions relating to meter reading, bill distribution and revenue collection to a Non-Government Organisation *i.e.*, Haryana Ex-Servicemen League (HESL).
- In **Madhya Pradesh**, one DISCOM (Central) initiated a Gram Sewak scheme which did not fall in the definition of franchisee as per REC guidelines on Franchisee Development. The Gram Sewak scheme was cancelled with effect from 26 December 2011. Another DISCOM (West) formulated a detailed programme for more franchisee participation in RGGVY funded districts. It conducted various training programmes but appointed franchisees in only seven Gram Panchayats upto March 2011 and thereafter did not appoint any more franchisees.
- In **Meghalaya,** franchisees were appointed in only one (Jaintia Hills) out of seven projects (as of August 2012). In the case of the Jaintia Hills project, out of 50 clusters, franchisees were engaged between March 2010 and August 2012 in 13 clusters for monthly meter reading and collection of revenue from consumers. However, as of August 2012, out of these 13 franchisees, contracts in respect of seven had expired, contracts of two were cancelled and contract of one was suspended (August 2012).
- In **Tripura**, as per the Tripartite Agreement amongst REC, Tripura State Electricity Corporation Limited (TSECL) and State Government on 31 October 2005, the State Government and TSECL had undertaken to deploy franchisees for management of rural distribution in villages electrified, as per the guidelines issued by REC. However, franchisees were not deployed as per RGGVY guidelines, as their functions were limited to meter readings and delivery of energy bills. Revenue collection was not included in the role and responsibilities of franchisees. Though 69 franchisees were operating in 530 out of 739 RGGVY villages, they did not conform to any of the models prescribed by REC.
- In **Maharashtra**, franchisees were not appointed as it was considered not commercially viable.
- In **Uttarakhand**, out of 12 franchisees, only four completed the initial contract period of one year and rest left within seven to eight months. Despite repeated correspondence from REC regarding re-appointment of franchisee, the DISCOM

[105] Gujarat and Karnataka

made no efforts to appoint other franchisees to achieve the above mentioned objectives.

MOP, in its reply (February 2013) accepted the above facts stating that, *"Under X and XI Plan, deployment of franchisees for the management of rural distribution was envisaged to ensure revenue sustainability. However, this has not fructified as the States have not been able to deploy franchisees in spite of considerable efforts by them and support provided by MOP and REC. This has been mainly because rural distribution is characterized by low load density, domestic consumers with subsidized tariff and limited availability of power supply leading to low revenue base in absolute terms. Total revenue to be collected is even lower, particularly in villages covered under RGGVY, as majority of load consists of BPL households for whom electricity tariffs are highly subsidized or entirely free in most States. The absolute amount of revenue to be collected is not adequate to meet the bare minimum expenditure of a franchisee making them financially unviable. Moreover, distribution business in States like Orissa is already privatized."*

As stated in para 7.5 *supra* revenue sustainability and commercial viability would continue to be a challenge for MOP without which the essential objectives of the scheme may remain unachieved.

7.5.5. Performance of franchisees

REC, in its guidelines for franchisees development (May 2006) prescribed six models for franchisee deployment

- Model – A: Revenue Franchisee - collection based
- Model – B: Revenue Franchisee – Input based
- Model – C: Input based Franchisee
- Model – D: Operation & maintenance franchisee
- Model – E: Rural Electric Co-operative Societies
- Model – F: Electric cooperative society – operations management

MOF stated (November 2006) that mere appointment of franchisees was not enough, *i.e.* without regard to the viability of distribution arrangements, requisite funds provided for in the subsidies to be given by the State Governments to the utilities, and recovered through Aggregate Technical and Commercial (AT&C) losses, and appropriate incentive structures created for the franchisees to streamline distribution management and make it more viable.

As per guidelines for franchisee development issued by REC, Model A was not the preferred for adoption since its compensation was linked to the revenue collections made and not on the energy input coming into the area. REC further issued (February 2008) specific directions that for continuation of RGGVY in the XI Plan period, the franchisee should preferably be 'input based' to reduce AT&Closses so as to make the system revenue sustainable. Out of 17 States which had deployed franchisees, 15 had however, adopted the Revenue Franchisee –

collection based one, i.e. Model A. The impact of this can be seen in **Gujarat** where only revenue collection based franchisees were appointed. The 'Transmission and Distribution' losses in the respective circles of DISCOMs[106] ranged from 13 *per cent* (against the benchmark of 4.95 *per cent*) to 66 *per cent* as on 31 March 2012.

In **Karnataka**, revenue collection efficiency varied in respect of LT installations during 2007-08 to 2011-12. In six[107] project areas in Raichur, the collection efficiency was less than 10 *per cent*, while in other project areas it ranged from 24 to 67 *per cent* except in Uttara Kannada where it was 83 *per cent*.

In **Uttarakhand**, ₹ 8.48 crore was recoverable from BPL consumers, as on 31 March 2012 in four selected districts.

State specific details of performance of franchisees are given in **Annexe 18**.

MOP, in a note dated 23 February 2007 stated that "*On the revenue sustainability raised by Ministry of Finance, as reported in an evaluation study on the system of franchisees awarded by Ministry of Power and conducted by The Energy and Resources Institute (TERI) and Integrated Research and Action for Development (IRADe) the results are quite impressive. In the villages under franchisees, revenue collection has increased dramatically.*"

MOF had recommended that a concurrent evaluation be done to assess the working of franchisees. MOP, however, got a limited study done by TERI and IRADe in six States and did not make available the full report of this study. Only a brief of the report was furnished. There was no evidence to suggest that modifications suggested by the study were implemented to improve the working of franchisees.

7.5.6. Dilution of condition regarding deployment of franchisee

During the initial implementation of RGGVY in X Plan, REC was to release funds subject to appointment of franchisee as per scheme guidelines of March 2005. As brought out in the CCEA note dated 13 November 2004 and COS note dated 24 December 2004, the rationale for making the franchisee system conditional was to ensure commercial viability and sustainability in management of rural distribution.

However, in June 2007, MC headed by Secretary, MOP decided that only the last 10 *per cent* of the subsidy release should be made dependent upon the State meeting the conditionalities. In effect, release of 90 *per cent* of the subsidy was done without ensuring that the objective of revenue sustainability was met, despite appointment of franchisees being one of the mandatory pre-conditions in the note approved by the CCEA.

[106] Bhavnagar, Mehsana, Patan, Panchmahal, Porbander, Surat and Surendra Nagar
[107] Belgaum, Bijapur, Gadag, Kolar, Raichur and Uttara Kannada

Incidentally, as per MOP / REC guidelines and directions, in the event the projects are not implemented satisfactorily in accordance with the conditions, the capital subsidy would be converted into interest bearing loans.

Some instances of projects being kept open where closure reports had not been accepted on the grounds that DISCOMs had to bear the risk of conversion of capital subsidy into interest bearing loan leading to financial loss for these bodies were noticed. For instance, in **Haryana**, the DISCOMs were running the risk of losing capital subsidy to the tune of ₹ 158.20 crore. Though REC had been writing to various States to appoint franchisees, the former did not convert the capital subsidy into an interest bearing loan. Consequently, this condition is being flouted by PIAs. For example, in the 40th meeting of the MC held in March 2011, it was decided that for X Plan projects, a Notice Inviting Tender (NIT) for appointment of franchisee should be issued in the next three months and franchisees should be appointed in further six months. Accordingly, the States were informed that if these timelines were not achieved and projects were not closed, the grants given to State Governments under RGGVY would be converted into interest bearing loan. Despite the States not taking significant steps to follow these directives, REC took no action against them (May 2013).

MOP, in its reply (May 2013) stated that, "*MC took practical difficulties, field constraints into consideration as the projects were getting delayed due to various reasons including non-release of funds which could have further aggravated the situation. The committee had not relaxed the condition of appointment of deployment of franchisees. The committee only eased out the releasing mechanism for smooth implementation of the programme by allowing REC to release 2nd and 3rd installment without insisting for appointment of franchisee.*"

Reply of MOP only underlines the fact that the sanctity of release of funds was diluted by relaxing the then mandatory pre-condition of appointment of franchisees and by not penalising for non closure of projects.

7.6. Beneficiary Survey

In order to assess the awareness and obtain the perception of the beneficiaries at the implementation level, selected beneficiaries in test-checked districts were requested to reply to a questionnaire. The sample for the beneficiary survey was drawn from the selected villages in each sample project. At least five households for survey were selected in each village through a systematic random sampling procedure. Beneficiaries were interviewed through a structured questionnaire in the local language. The total sample consisted of 10,460 beneficiaries from 2,148 villages in 27 States. The sample size in each State varied according to the number of projects selected for test-check in that State. The survey was conducted by the audit teams of the Indian Audit & Accounts Department (IA&AD) which were deployed for the performance audit of RGGVY.
The survey questionnaire requested the following details:

(i) Whether the connection was provided by the DISCOM or on request of beneficiary;

(ii) Date of installation of connection;
(iii) Date of energisation of connection;
(iv) Provision of CFL free of cost;
(v) Supply of Power for 6 -8 hours daily;
(vi) Provision of meter;
(vii) Awareness about the scheme;
(viii) Payment and billing;
(ix) Usage of electricity for pump sets *etc*;
(x) Impact of the scheme; and
(xi) Any grievances related to the implementation of RGGVY.

The outcome of the beneficiary survey is as under:

1. **Awareness** – The main objective of RGGVY was to provide single phase electric connection to BPL households free of cost. Hence, spreading awareness about the scheme and its main features among BPL households was a pre-requisite for successful implementation of the scheme.
   During survey of BPL beneficiaries it was observed that 8,061 beneficiaries (77 *per cent*), *out* of the sample were not even aware about RGGVY, its objectives or benefits. Though the turnkey contractor conducted surveys before releasing connections, the possibility of BPL households being left out in the absence of awareness could not be ruled out.7,565 (72 *per cent*) beneficiaries stated that no awareness programme was conducted.

2. **Provision of connection** - While 5,964 beneficiaries (57 *per cent)* stated that connection was provided by DISCOM itself, 3,975 beneficiaries (38 *per cent)* stated that the connection was given on their request, *i.e.* of the beneficiary and 521 beneficiaries (5 *per cent)* were not aware about how they got the connection.

3. **Provision of CFL -** Though there was a provision of free CFL along with the connection to BPL households, only 5,253 beneficiaries (50 *per cent*) were provided free CFL, 4,678 beneficiaries (45 *per cent*) stated that they were not provided any CFL with the connection and remaining beneficiaries were not sure about the provision of providing CFL.

4. **Metering –** Metering and billing of all connections was necessary for revenue sustainability. 9,661 beneficiaries (92 *per cent*) stated that they had got the meter with connection, while 343 beneficiaries (3 *per cent*) stated that meters were not provided with connection. Rest of the beneficiaries were not sure.
   3,305 beneficiaries (32 *per cent)* stated that they were not receiving bill regularly.

Box 16: Cases of not providing meter with connection

The cost of meter was included in the connection cost. Accordingly contractors were required to fit meters as per specific norms with connection. However, beneficiary survey of BPL households revealed that this aspect was not followed in some cases as under:

- In **Papumpare** project of **Arunachal Pradesh**, 37 households out of 50 BPL households stated that meters were not installed and proper wiring was not done.
- In **Nagaland**, only 85 households (74 *per cent*) were provided meter box out of 115 BPL surveyed.
- In **Sikkim**, no meter was provided to all five beneficiaries surveyed under Chisopani Village in **Gangtok Block** and four out of five households in Umchung Village, Geyzing Block

Further, the first bill was to be issued within 60 days from the date of release of connection. However, in **Rajasthan**, 54 out of 518 beneficiaries responded that bills were not issued by DISCOMs.

5. **Power supply** – 8,024 beneficiaries (77 *per cent*) stated that they were getting more than daily supply for six to eight hours. While 1,605 beneficiaries (15 *per cent*) stated that they were getting less than six hours' supply per day and the timing of the power supply was stated to be not as per their needs.

Recommendation

R7: MOP may critically review the existing mechanism and install additional safeguards specifically targeting achievement of quality and reliability in supply of power, collection of revenue with special emphasis on States where targets remained to be achieved.