

## Chapter II

### 2. Performance Audit relating to Government Companies

#### Implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana in Andhra Pradesh

##### Executive Summary

###### **Introduction**

Government of India launched in March 2005 Rajiv Gandhi Grameen Vidyutikaran Yojana with an objective of electrifying all villages and habitations (hamlets) and providing all Rural Households (RHHs) access to electricity by year 2009 and notified in August 2006 Rural Electrification Policy, which required the State Governments to prepare and notify their own Rural Electrification Plans. Rural Electrification Corporation was nodal agency for implementing RGGVY. GoI provided 90 per cent capital subsidy to State Government to meet overall cost of project, while 10 per cent would be a loan provided by REC to State Government. Four Distribution Companies (DISCOMs) were project implementing agencies. Seventeen projects and five projects were sanctioned under 10th and 11th plans respectively, in four DISCOMs.

###### **Planning**

Inordinate delay of more than four years in notifying the Rural Electrification Plan, inadequate initial survey for infrastructure to be provided and for identification of beneficiaries resulted in incorrect preparation of DPRs, which led to subsequent revision in quantities /number of beneficiaries with consequent increase in cost of projects.

###### **Contract and Project Management**

Instances of excess rates claimed for material, short closure of contracts at the request of contractors (SPDCL) and use of other than approved material resulting in excess expenditure were noticed. These factors also contributed to revision of project costs.

###### **Finance Management**

DISCOMs paid Price variation claims of ₹ 6.04 crore in contravention of terms and conditions of agreement. NPDCL and SPDCL had not recovered Labour cess of ₹ 1.16 crore and ₹ 2.53 crore respectively from the Contractors, as a result, liability rests with the respective DISCOMs. Non-levy of penalties for delayed works resulted in undue favour to contractors. Non-adjustment of the interest earned on unspent RGGVY funds to the final project cost resulted in excess claim of ₹ 5.75 crore (SPDCL, NPDCL and EPDCL).

###### **Monitoring and Impact Assessment**

Lack of wide publicity about the scheme at block level resulted in poor response from Rural Households of Below Poverty Line. Non-compliance with provisions for releasing service connections like providing earth wire, providing service line connection free of cost, fixing of outmoded meters not covered under the scheme, lack of safeguard measures to provide fencing at danger points were noticed in

*audit. Non-convening of State Level Coordination committee meetings to ensure the effective implementation of RGGVY in four DISCOMs and non engagement of franchisees at block level as per RGGVY guidelines were noticed.*

## 2.1 Introduction

Government of India (GoI) launched (March 2005) the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) aimed at electrifying all villages and habitations (hamlets) and providing all Rural Households (RHHs) with access to electricity by year 2009 and notified (August 2006) the Rural Electrification Policy which required the State Governments to prepare and notify their own Rural Electrification Plan (REP) incorporating goal of quality and reliable power supply. RGGVY provided for creation of Rural Electricity Distribution Backbone (REDB<sup>11</sup>), village electrification infrastructure and rural household electrification of below poverty line (BPL) households free of cost.

The Rural Electrification Corporation (REC) New Delhi was the nodal agency for implementing the RGGVY. GoI provided 90 *per cent* capital subsidy to the State Government through REC to meet the overall cost of the project concerned while 10 *per cent* would be a loan provided by REC to State Government. REC released the required amounts of grants for each project with a condition that the works are to be carried out in accordance with the REC guidelines.

The four Distribution Companies<sup>12</sup> (DISCOMs) of the State were the project implementing agencies for formulating, developing and implementing the projects in the districts under their jurisdiction. For this, District-wise Detailed Project Reports (DPRs) were to be prepared by them and submitted to REC.

A total of 22 projects<sup>13</sup> were sanctioned under 10<sup>th</sup> and 11<sup>th</sup> plans in four DISCOMs for implementation of the scheme in the State.

## 2.2 Organization Structure

The Chief General Manager (Projects) of each DISCOM monitors the implementation of sanctioned projects. The day to day execution of works was looked after by Superintending Engineer of the district assisted by Divisional Engineers, Additional Divisional Engineers and Assistant Engineers at block level. After completion of works in all aspects, the expenditure incurred has to be got certified by the Chartered Accountants and Closure Reports including final claim have to be submitted by DISCOMs to REC through State Government.

<sup>11</sup> REDB includes creation of 33 KV Sub-Station in those blocks where it does not exist. Village rural infrastructure includes drawing of HT and LT line, installation of Distribution transformer and rural household includes free connection to BPL households (one CFL bulb of 11 watt, one meter and internal wiring).

<sup>12</sup> Central Power Distribution Company of Andhra Pradesh Limited (CPDCL), Eastern Power Distribution Company of Andhra Pradesh Limited (EPDCL), Northern Power Distribution Company of Andhra Pradesh Limited (NPDCL) and Southern Power Distribution Company of Andhra Pradesh Limited (SPDCL).

<sup>13</sup> Ranga Reddy, Medak, Kurnool, Ananthapur, Mahabubnagar, Nalgonda (CPDCL), Warangal, Khammam, Karimnagar, Nizamabad, Adilabad (NPDCL), Krishna, Prakasam, SPS Nellore, Guntur, Chittoor, YSR Kadapa (SPDCL), East Godavari, West Godavari, Vishakapatnam, Vizianagaram, and Srikakulam (EPDCL).

### **2.3 Audit objectives**

The objectives of audit were to ascertain whether:

- Preparation of Detailed Project Reports (DPRs) and Revised Project Estimates were done on time and adequately covered the scheme;
- Contracts including tendering were executed in a proper manner and in accordance with the guidelines of the scheme;
- Targets as envisaged were achieved for both infrastructure creation and power supply; and
- Effective control mechanism was in place.

### **2.4 Audit Scope, Sampling and Methodology**

Performance audit on implementation of RGGVY in the jurisdiction of four DISCOMs was conducted during the period from July 2012 to October 2012 and from April 2013 to May 2013 for the period 2007-08 to 2012-13.

Audit covered 10 Projects<sup>14</sup> out of total 22 projects sanctioned in the State. In addition three mandals from each project, five villages from each selected mandal and five beneficiaries from each selected village in each project for field verification/ beneficiary survey, based on random sampling method were also covered in Audit. During performance audit, records of State Government, APTRANSCO, four DISCOMs, and REC were scrutinized. Infrastructure created and the services released to BPL rural households were verified in the presence of concerned DISCOM officials.

Audit scrutiny involved

- Study of Board's agenda and minutes, minutes of meetings of the coordination committees and terms and conditions of turnkey contracts;
- Scrutiny of provisions/ guidelines of REC with reference to formulation, execution, and monitoring;
- Analysis of the monthly progress of Project wise RGGVY works;
- Review of utilisation of funds received from REC under RGGVY;
- Examination of monitoring system in implementation of RGGVY scheme;
- Beneficiary survey and field verification in presence of DISCOM officials
- Interaction with the management and issue of audit queries.

### **2.5 Audit Criteria**

Main sources of criteria were:

- Provisions of the Electricity Act, 2003, the National Electricity Policy (February 2005), RGGVY guidelines and Rural Electricity Policy of the GoI (August 2006);
- Terms and Conditions of Tripartite Agreements entered into among

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<sup>14</sup> Rangareddy, Mahaboobnagar and Anantapur projects in CPDCL, Prakasam and Kadapa projects in SPDCL, Khammam and Adilabad in NPDCL and Vizianagaram, West Godavari and East Godavari projects in EPDCL.

- Government of Andhra Pradesh (GoAP), REC and DISCOMs;
- Laid down procedures and policies of REC for procurement of material/ execution of works;
- Terms and conditions of the contracts/agreements, Purchase Orders;
- Agenda notes and minutes of the meetings of Board of Directors; and
- Co-ordination committee meetings with respect to RE works.

## 2.6 Entry and Exit Conferences

Audit objectives, criteria and scope of the performance audit were explained to the Government and DISCOMs in an 'Entry Conference' held on 24 August 2012. Audit findings were reported to the Government/ DISCOMs in March 2013 and discussed in 'Exit Conference' held on 7 August 2013. Exit conference was attended by the Special Chief Secretary, Energy Department, GoAP and the senior officials of the DISCOMs. Views/ reply of the Government/ Management, wherever received, have been considered while finalizing report.

## 2.7 Audit findings

The State had by and large achieved intensive electrification of villages as per the revised sanctions in all the DISCOMs as depicted in the table given below:

**Table 2.1: Details of number of approved villages and BPL service connections as per DPR, RCE and actual execution as on December 2012**

Name of DISCOM	As per DPR		As per RCE		Actual Execution		% of Execution to RCE	
	Villages	BPL RHHs	Villages	BPL RHHs	Villages	BPL RHHs	Villages	BPL RHHs
EPDCL	8341	881974	8045	672746	8045	636968	100	94.68
SPDCL	6121	697002	6121	813214	6121	880718	100	108.30*
CPDCL	6383	534371	6390	543959	6363	639616	99.58	117.59*
NPDCCL	5993	386170	5993	367334	5440	446017	90.77	121.42*
<b>Total</b>	<b>26838</b>	<b>2499517</b>	<b>26549</b>	<b>2387633</b>	<b>25969</b>	<b>2603319</b>		

Source: DPRs, RCEs and Completions Reports of DISCOMs

\* The actual execution was more than 100 *per cent* due to release of more number of BPL connections than envisaged in the RCEs during implementation of the Scheme.

However, lacunae in planning and execution were noticed in audit as explained in succeeding paragraphs.

## 2.8 Planning

Out of 22 projects, 17 projects under 10<sup>th</sup> Plan<sup>15</sup> and 5 projects under 11<sup>th</sup> Plan<sup>16</sup> were sanctioned in four DISCOMs for implementation of RGGVY in the State. For effective implementation of scheme, proper planning was

<sup>15</sup> X<sup>th</sup> plan period 2002-07.

<sup>16</sup> XI<sup>th</sup> plan period 2007-12.

required to avoid cost and time overrun.

### **2.8.1 *Inordinate delay in notification of REP by the State Government***

As per the National Rural Electrification Policy (NRE policy) notified in August 2006, State Government was to prepare and notify a Rural Electrification (RE) Plan within six months of notification of NRE policy i.e., by February 2007, but State Government notified RE plan on 2 July 2011 after a delay of more than four years. Projects were either near completion/ or completed by the time Plan was notified, making it irrelevant for RGGVY projects.

### **2.8.2 *Preparation of DPRs without survey***

For preparing the Detailed Project Reports (DPRs) for each project, data regarding provision of infrastructure and number of beneficiaries were to be worked out in preliminary survey at field office levels by each DISCOM. However, audit observed that DPRs were prepared based on data available from Revenue Department and field offices without conducting detailed survey. Consequently, during the course of execution, there were variations in quantities of infrastructure and number of BPL RHHs estimated.

State Government stated that to avoid delay in getting the projects sanctioned, DPRs were prepared based on both data available i.e., with the Revenue Department and field offices of DISCOMs who had conducted preliminary/ walk-down surveys.

## **2.9 Contract and Project Management**

As per REC guidelines, works were to be carried out economically, efficiently and effectively and in a timely manner without any cost and time overrun.

### **2.9.1 *Deviation in execution of works***

As per RGGVY guidelines the works are to be carried out on a turnkey basis. REC, however, on the request of DISCOMs, permitted them to carry out the works under semi-turnkey basis subject to their maintaining a separate inventory account for RGGVY material. It was noticed that in practice all material procured under RGGVY were being accounted for in regular stores and in the absence of a separate inventory account for RGGVY, the procurement and subsequent utilisation of material for the scheme could not be ascertained.

In the Exit conference, the Government accepting audit comment opined that separate inventory account should have been maintained/ operated for RGGVY works to know the actual/ correct utilization of material and to arrest the diversion of material.

## 2.9.2 Excess rates claimed

Cases of excess rates claimed, noticed in audit, are discussed below:

- Though meters were specifically procured for RGGVY, while calculating the cost of meters, average cost was worked out based on the total meters procured which included high cost meters (LCD type meters procured for urban areas). This resulted in excess claim of ₹ 7.40 crore<sup>17</sup> and ₹ 7.93<sup>18</sup> crore from REC by EPDCL and CPDCL respectively.

Government stated that in EPDCL general purpose meters and counter type meters procured for RGGVY were interchangeably used. However, audit noticed that meters procured under RGGVY were used in all villages test checked by audit team.

Government further stated that in CPDCL unit cost was arrived at duly considering the average of 5 years material cost. However, reasons for including high cost meters, not utilised for RGGVY, while working out the average procurement cost for meters was not explained.

- Similarly in case of DTRs, by working out the average cost based on DTRs procured at higher rates, which were not actually used for RGGVY works, resulted in excess claim of ₹ 2.41 crore (EPDCL: ₹ 1.13crore; CPDCL: ₹ 1.28 crore).
- As against REC approved 15 KVA capacity DTRs, CPDCL installed old and used 10 KVA DTRs (502 in Nalgonda project and 517 in Mahaboobnagar project) and claimed ₹ 29,800 and ₹ 22,295 per DTR respectively, while the depreciated value of the 10 KVA DTRs (procured in 2000) is now nil. This resulted in excess claim of ₹ 2.65 crore.

Government and Management confirmed that as per load requirement and availability, 10 KVA DTRs were erected for release of BPL services within time schedule and the same would be replaced by 15 KVA DTRs as and when the load on existing DTR is increased. This does not explain the justification for raising claim for new DTRs when only old 10 KVA DTRs were used.

## 2.9.3 Use of other than approved material

In SPDCL, the DPRs of YSR Kadapa and Chittoor districts provided for use of Pre-stressed Cement Concrete (PSCC) poles with working load of 140 kgs for providing infrastructure facilities. However, the DISCOM awarded the contracts for two projects under Phase I and Phase II, which *inter alia* contained provision for supply and erection of PSCC Poles with working load of 200 Kgs involving higher cost, resulting in extra expenditure of ₹ 5.74 crore.

Management replied that common tenders were floated for all the districts

<sup>17</sup> Difference in average rate of EPDCL = ₹ 152 per meter (average including LCD meters: ₹ 590 per meter - average excluding LCD meters: ₹ 438 per meter).

<sup>18</sup> Difference in average rate of CPDCL = ₹ 139.25 per meter (average including LCD meters: ₹ 779.05 per meter - average excluding LCD meters: ₹ 639.80 per meter).

with 8 metres PSCC poles having working load of 200 Kgs including for Kadapa and Chittoor Districts.

However, floating of a common tender, for coastal areas which require 8 metres PSCC poles with working load of 200 Kgs and non coastal areas where the requirement is 8 metres PSCC poles with working load of 140 Kgs as per DPRs, was not justified.

#### **2.9.4 Short closure of Contracts**

SPDCL short closed 22 works, awarded earlier, on the request of contractors as they expressed inability to complete works due to steep increase in prices of material in the absence of price variation condition<sup>19</sup> and decided for retendering the left over works. Audit noticed that by awarding these works at higher rates under new contracts (including five previous contractors), an additional expenditure of ₹ 11.23 crore was incurred. Though the contracts were short closed at the request of the Contractors, liquidated damages of ₹ 6.70 crore were not recovered as per the terms of agreements and thus undue favour was extended to Contractors.

In NPDCL also the contractors have not completed the RGGVY works as per the quantity stipulated in the contracts. However, NPDCL did not levy any penalty or taken any punitive action for breach of contract. On the other hand the Company awarded (August 2008) balance works at higher rates to same contractors and incurred an additional expenditure of ₹ 5.02 crore. Further, contractors were extended undue financial benefit by not levying any penalty, not invoking the bank guarantee of ₹ 1.87 crore (Adilabad: ₹ 95.87 lakh + Khammam: ₹ 90.93 lakh) and releasing retention amount (₹ 1.29 crore) even before expiry of defect liability period of 12 months.

NPDCL stated (April 2013) that works could not be completed within agreement period as all BPL beneficiaries had not registered by then and the contractors were not willing to continue the work beyond the agreement period with the same price. However, even the infrastructure works, which did not depend on beneficiary registration, were not completed within the agreement period.

#### **2.9.5 Non providing of infrastructure**

As per RGGVY the BPL RHHs families were to be provided the infrastructure like meters, service wire, wooden board and fixation thereof, free of cost. Audit observed that 10,48,351 BPL RHHs had incurred ₹ 62.35 crore (EPDCL: 42,723 Nos. – value ₹ 3.06 crore in five projects; SPDCL: 5,47,854 Nos. value ₹ 24.11 crore in all projects; and CPDCL: 4,57,804 Nos. – value ₹ 35.18 crore in four projects) for infrastructure including its fixation, however, only meters were provided free of cost defeating the very objective of the RGGVY scheme.

State Government stated that the cases will be reviewed and appropriate action taken to ensure that no BPL RHHs be deprived of benefit under the scheme.

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<sup>19</sup> Price Variation clause not incorporated in RGGVY agreements.

### **2.9.6 Excess expenditure over the Estimated Revised Cost**

Incurring expenditure in excess of the revised project cost approved by REC resulted in cost over-run to an extent of ₹ 22.25 crore (SPDCL: ₹ 14.69 crore; EPDCL: ₹ 4.52 crore; NPDCL: ₹ 1.8 crore; and CPDCL: ₹ 1.24 crore), mainly on DTRs, Conductor and AB Cable. This was due to variations in quantities and acceptance of price variation amounts due to hike in prices. DISCOMs claimed that the variation in quantities occurred mainly due to geographical elements and also due to incorrect estimation of revised cost. CPDCL, where work contracts were split up piece-meal incurred ₹ 1,689 to ₹ 2,349 per service connection (as against prescribed limit of ₹ 1500 per connection) in respect of 1,27,799 connections in Anantapur, Kurnool, Mahaboobnagar and Nalgonda Districts resulting in excess claim of ₹ 5.74 crore.

Government stated that the cost of service depends on the length of the line, labour and length of service wire.

Reply is not relevant as cost of service wire was met by consumers.

## **2.10 Finance Management**

As per REC guidelines, the interest earned on the deposits made out of unspent amount of subsidy should be passed on to the project cost. DISCOMs should necessarily adhere to the terms and conditions of agreements as regards levy of taxes, levy of penalty etc.

The DISCOMs prepared estimated cost based on the then existing cost data for material (rates at which the material was procured by Purchase wing) and existing Standard Schedule of Rates (SSRs) for carrying out the works. The works were awarded on one to two years term. The actual position of revised sanctioned cost, funds actually received and actual expenditure incurred in respect of each DISCOM and for the selected 10 projects are given in **Annexure-2.1**.

### **2.10.1 Incorrect payment of Price variation amounts**

No price variation clause was incorporated in the agreements executed for RGGVY works. The rates were fixed and bound to be followed throughout the contract period. Despite the fact, three DISCOMs paid a price variation of ₹ 6.04 crore (EPDCL: ₹ 3.31 crore; SPDCL: ₹ 1.23 crore; and NPDCL: ₹ 1.50 crore - Khammam, Adilabad and Nizamabad projects) in contravention to terms and conditions of agreements.

State Government accepted the audit observation and stated that EPDCL and NPDCL are now providing price variation clause in the existing agreements.

### **2.10.2 Un-authorized claim**

EPDCL claimed ₹ 96 lakh towards pending bills of West Godavari Project which was not supported by check measurement details.

Government accepted that check measurement details were not available and

the contractor had not come forward with the bills for balance quantities as yet.

### **2.10.3 Non recovery of Labour cess**

As per Section 3 of the Cess Act, read with rule 4 (3) of the cess rules, one *per cent* cess has to be deducted from the bills paid for works which are covered by the definition of “Building and other construction work” and remitted by way of crossed demand draft in favour of Andhra Pradesh Building and other Construction workers’ Welfare Board. Audit noticed that NPDCL and SPDCL had not recovered ₹ 1.16 crore and ₹ 2.53 crore respectively from the Contractors.

State Government (SPDCL) replied that though a clause was incorporated, the same was not followed as it was not incorporated in the estimated rates while preparing tender schedules.

The fact remains that the liability of depositing the required statutory cess now lies with the DISCOMs.

### **2.10.4 Non levy of penalty**

Audit observed that the works under RGGVY were delayed beyond the two years period in all the DISCOMs. However, no liquidated damages were levied, though provided for as per the terms and conditions of agreement. The contractors were given retrospective benefit and exemption from payment of penalties amounting to ₹ 9.97 crore (Four projects<sup>20</sup> in EPDCL: ₹ 3.66 crore; six projects<sup>21</sup> in SPDCL: ₹ 3.32 crore; and two projects<sup>22</sup> in NPDCL ₹ 2.99 crore).

### **2.10.5 Non adjustment of interest earned to the project cost**

DISCOMs earned an interest amount of ₹ 5.75 crore (SPDCL: ₹ 2.06 crore; NPDCL: ₹ 2.32 crore; and EPDCL: ₹ 1.37 crore) on RGGVY funds which was, however, treated as their own income as against the requirement of the scheme to pass on the benefit to the Project cost.

### **2.10.6 Excess claim**

**2.10.6.1** In NPDCL, the actual expenditure towards execution of Khammam project was ₹ 29.07 crore as per the expenditure details submitted to audit against which the claim was preferred for ₹ 33.75 crore. The reasons for excess claim were not on record.

State Government stated that the actual expenditure incurred was ₹ 32.30 crore as per actual verification carried out by Chartered Accountant and to this Price variation, Service tax and 10 *per cent* overhead charges were added.

The reply is not corroborated by the System Application Product (SAP) report which gives the actual expenditure as ₹ 29.07 crore.

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<sup>20</sup> Srikakulam, Vizianagaram, Visakhapatnam and West Godavari Projects.

<sup>21</sup> Chittoor, Kadapa, Nellore, Prakasam, Guntur and Krishna Projects.

<sup>22</sup> Khammam and Adilabad projects.

**2.10.6.2** REC sanctioned 10 per cent of project cost, excluding cost of release of BPL services, as service charges to the DISCOM. CPDCL, however, claimed 10 per cent service charges on the project cost, including cost of BPL services, in respect of Anantapur project resulting in excess claim of ₹ 1.81 crore (for ₹ 18.08 crore).

**2.10.7 Unilateral recovery of service charges not refunded**

An amount ₹ 21.64 lakh pertaining to Visakhapatnam project was withheld by REC towards service charges contrary to the conditions of sanction of RGGVY projects. EPDCL failed to pursue for refund of the withheld amount till August 2013.

**2.10.8 Non-opening of separate bank account**

As per the directions of REC, DISCOMs should open a separate bank account for each project so as to ensure that the subsidy given is utilized for RGGVY works only. Audit observed that DISCOMs opened a single account for RGGVY. It is further observed that the funds deposited in the special RGGVY accounts were retained for few days, and then transferred back to the DISCOM's general accounts (by keeping minimum balance in RGGVY accounts).

State Government has accepted the fact.

**2.10.9 Incorrect accounting of assets created under RGGVY**

Audit observed that in two DISCOMs (SPDCL and CPDCL), assets created under RGGVY were being taken under fixed assets account of the companies whereas in the other two DISCOMs (NPDCL and EPDCL), these were not being taken into books of account on the ground that these were the property of the State Government.

In the Exit conference, Government confirmed that all DISCOMs have been directed to bring the value of RGGVY assets into books of account of respective DISCOM.

**2.11 Monitoring and Control Mechanism**

DISCOMs are responsible for quality control and to engage third party inspection to ensure that execution is according to prescribed specifications. As per RGGVY guidelines, wide publicity was to be given about release of cost free service connections and the works were to be supervised to ensure effective, efficient and economic implementation.

**2.11.1 Delay in completion of projects**

None of the test-checked projects were completed within the prescribed period of two years and delay in completion ranged from 2 to 56 months. Main reasons for the delay cited by the DISCOMs were on account of (a) Scarcity of labour particularly during rainy and harvest seasons, (b) migration of labour (all DISCOMs) (c) working in hazardous locations, and (d) non availability of certain material viz., PSCC poles, cable, etc. This indicates lack of effective

planning and manpower & material management.

### **2.11.2 Non laying of earthing wires**

Earthing wires were not found in many of the households in CPDCL and NPDCL. On enquiry, CPDCL management accepted and replied that the beneficiaries refused to get the earthing done because of fears of shocks. NPDCL/ State Government stated that earthing wires were replaced where the consumers removed them for fear of shock. CPDCL/ State Government stated that in most of the cases, consumers have not allowed carrying out earthing with bare GI wire in the house premises fearing it would carry current leading to accidents to children etc. In NPDCL the TPIA observed that the consumers were not allowing executing pit for fixing GI pipe and running GI wire for earthing in the room or verandah. Thus, the awareness/ safety issues have remained un- addressed due to inability of the DISCOMs to bring proper awareness among the beneficiaries.

### **2.11.3 Discrimination in supply of power**

As per RGGVY guidelines, there should not be any discrimination in supply of power between urban and rural areas. Audit survey revealed that beneficiaries in rural areas were receiving only 6-10 hours of power supply indicating discrimination.

### **2.11.4 Ineffective State/ District Level Co-ordination Committees**

State Government constituted District Level and State Level Co-ordination Committees in March 2005 and August 2008, respectively, for monitoring and evaluation of RGGVY outcomes. These committees were required to hold meetings quarterly/ monthly. However, Audit observed that not even a single meeting took place at State level to monitor the works carried out by all DISCOMs. Even District level co-ordination meetings were held as and when review on implementation of RGGVY works took place, instead of every quarter.

## **2.12 Impact Assessment**

Beneficiary survey and field verification of infrastructure provided under RGGVY was conducted during November/ December 2012, in the presence of concerned DISCOM officials, to check whether the works were executed in compliance with RGGVY guideline. As many as 750 BPL RHHs (5 RHHs in each village) were covered in 150 villages (5 villages in each Mandal) and 30 mandals (three mandals in each selected project) pertaining to selected 10 projects. Audit teams interacted with the consumers and shared their experience and views. The following are the results of beneficiary survey and field verification.

#### **a) Inadequate awareness**

- In response to audit query regarding reason for obtaining the service connection belatedly, 100 BPL beneficiaries were of the impression that

only connection line would be provided free of cost and the cost of meters (₹ 500 - ₹ 600 at that time) had to be borne by them and 60-70 beneficiaries opined that they have to pay high amount of current consumption charges.

Audit observed that DISCOMs took up awareness generation (pamphlets, public announcement through speakers) for BPL beneficiaries only after observing lack of registration by beneficiaries for the RGGVY scheme.

**b) Installation of inferior quality meters, non-replacement of defective meters and erection of DTRs against safety norms**

- Audit observed that outmoded Mechanical meters were installed by three DISCOMs.

In the Exit conference, Government directed DISCOM authorities to take corrective action forthwith to replace them with recommended meters (electro-digital meters).

- Some pole mounted DTRs were found erected at lower height i.e., 2-5 feet where fencing and danger boards were not provided.



K Rajupalem Village, Ulavapadu Mandal, Prakasam Project, SPDCL

State Government stated that corrective action is being taken.

- Audit noticed from selected five beneficiaries in Bojjalagudem village, Kothagudem Mandal of Khammam Project (NPDCL) that non-replacement of defective meters resulted in direct connection and incorrect billing of consumed units. This indicated laxity on the part of NPDCL to attend repairs and maintenance works.



Bojjalagudem Village, Kothagudem Block, Khammam Project NPDCL

NPDCL/ State Government stated sufficient meters have been procured for replacing the defective meters

**c) Direct tapping of power**

- Failure to conduct regular inspections by DPE to detect pilferage of power led to direct tapping from the main line in Bojjalagudem in Kothagudem Mandal, Khammam Project of NPDCL.



In the Exit conference, the Government directed the authorities of DISCOM to remove direct tapping immediately.

**d) Non-release/ discrepancies in release of services**

- NPDCL failed to release service connections to intended BPL beneficiaries in Polepally village of Khammam rural Mandal due to non creation of infrastructure under RGGVY.

NPDCL/ State Government stated that the BPL beneficiaries have not come forward for registration and hence the households were not electrified.

- During beneficiary survey/ field verification Audit observed that 197 BPL service connections stated to have been released in NPDCL (Bapanakunta of Manuguru Mandal: 35, Naidupet of Khammam rural: 82 and Rupalatanda of Kothagudem Mandal: 80) were not found in the said villages.

State Government stated that the BPL connections were shown in the closure proposals by inclusion of neighboring villages/ hamlets. However, the names of these villages were not furnished to audit for verification.

- In Kadapa district of SPDCL, list of BPL households provided with service connection under RGGVY in the closure report varied from 58 to 84 *per cent* with the lists provided during field verification of the same villages as detailed below:

**Table 2.2: Statement showing the variation in number of services released as per field verification and closure reports**

Sl. No.	Name of the Mandal	Name of the village	BPL SCs released as per Closure report	BPL SCS released as per the list during field verification	Difference	Percentage Variation
1	LR Palli	Maddirevula	476	161	315	66
2	-do-	Dappepalli	480	92	388	81
3	-do-	Dinnepadu	401	66	335	84
4	Rayachoti	Sibyala	384	161	223	58

Source: Field verification reports.

Reason for above variation in number of BPL service connection released, as per closure report and list provided at the time of field verification, though called for by Audit, was not furnished by Company.

**e) Shortfall in electrification of habitations**

- In SPDCL, electrification of all habitations could not be achieved as per Revised Cost Estimate and shortfall was 7.70 per cent (Nellore Project), 41.70 per cent (Chittoor), 55.15 per cent (Kadapa) and 55.71 per cent (Guntur Project) in four<sup>23</sup> out of six projects.

State Government replied (August 2013) that since more number of BPL HHs had come forward to avail the scheme, targets relating to electrification of habitations could not be achieved in Guntur, Kadapa, Chittoor and Nellore projects.

**f) Beneficiary response**

- Some of 750 beneficiaries covered in Audit (in three DISCOMs: CPDCL, SPDCL and NPDCL) complained about lack of power supply during day time (evening time in respect of EPDCL). School teachers and doctors at schools and health centers expressed dissatisfaction over the quality of supply of power resulting in inability to use advanced electrical appliances, computers, testing equipments due to unreliable power supply during day time (NPDCL). Some beneficiaries desired to have supply of power at subsidized tariff as the present tariff was beyond their capacity.

State Government stated that appropriate steps are being taken to meet the requirements subject to availability of power in the state.

The associated benefits like rural development, generation of employment is not ascertainable in the absence of any study by DISCOMs/ State Government.

## 2.13 Non engagement of Franchisee

As per RGGVY guidelines and conditions of tripartite agreements, franchisees who could be Non-Governmental Organizations are to be engaged for rural

<sup>23</sup>Guntur, Nellore, Chittoor and Kadapa Projects except Krishna and Prakasam Projects.

distribution management. The State Government, under the Electricity Act, is required to provide the requisite revenue subsidies to the State Utilities and determine bulk supply tariff for franchisee in a manner that ensures their commercial viability.

DISCOMs requested (2006-12) REC for exemption from appointment of franchisees. REC had not responded to this request. However GoAP has not appointed any franchisees.

## **2.14 Acknowledgement**

Audit acknowledges the co-operation and assistance extended by the staff and the Management of APTRANSCO and four DISCOMs at various stages of conducting the performance audit.

## **Conclusion**

- Detailed Project Reports were not realistically prepared. There were variations between projected quantities and actually executed quantities;
- State Government notified Rural Electrification Plan only in July 2011 by which time RGGVY implementation was nearing completion.
- Incorrect claims were preferred towards cost of meters and DTRs by adopting higher prices;
- DISOMS failed to open a separate bank account for RGGVY. Interest earned on fixed deposit amounts out of the scheme funds were not passed on to the project;
- Contrary to REC directions, DISCOMs failed to open a separate inventory account for the material procured under RGGVY;
- BPL beneficiaries expressed their difficulty in availing full benefit of RGGVY schemes due to the high tariff; and
- Discrepancy in supply of power between urban and rural areas continued even after implementation of the RGGVY scheme.

## **Recommendations**

### ***It is recommended that***

- ***DPRs should be based on detailed field survey;***
- ***Proper planning should be done to ensure implementation of GoI schemes for rural electrification within the time schedule and as per norms to contain cost and time overruns;***
- ***Strengthen monitoring and control mechanism to ensure effective implementation of the scheme and transfer of benefits to the intended population; and***
- ***Consider conducting consumer response survey to assess consumer satisfaction over the scheme benefits and take corrective steps.***