

Chapter 6

Levy and Recovery of Water Charges

6.1 Introduction

The levy and collection of water charges is governed by the Maharashtra Irrigation Act, 1976 (MIA) and Maharashtra Water Resources Regulatory Authority (MWRRA) Act, 2005. Supply of water for irrigation and non-irrigation purposes is mainly from the reservoirs, tanks, flowing canals of the irrigation projects or from any part of the rivers including its tributaries, streams, lakes, natural collection of water, lift irrigation works or from wells under the command of irrigation projects as notified by the Government. The water for non-irrigation purposes is supplied mainly to industries and for drinking purpose.

The per hectare water rates for irrigation purpose are levied from time to time on the basis of seasonal cropping pattern except water supplied to Water Users Associations (WUAs)¹⁶² which is on volumetric basis. For non-irrigation purposes, the rates are based on the quantity of water supplied and the source of lifting the water. Up to September 2010, the water charges were prescribed by the WRD and from October 2010 onwards, the water charges were fixed by MWRRA.

Performance Audits on 'User charges for water supply from irrigation projects' appeared in the Reports of the Comptroller and Auditor General of India for the years 2002-03 and 2008-09. The Report for the year 2002-03 was discussed in the year 2008-09 and recommendations were made by the Public Accounts Committee (PAC) for which the Action Taken Note was awaited (June 2013) from the GoM. The Report for the year 2008-09 is yet to be discussed by the PAC (July 2013).

6.2 Arrears of water charges

As per the Irrigation Status Report for the year 2010-11¹⁶³ and information furnished by the WRD for the period 2011-13, the arrears of water charges during 2007-08 to 2012-13 stood at ₹ 1,275.31 crore, as shown in **Appendix 6.1**. Scrutiny in audit revealed the following:

- The arrears of water charges increased from ₹ 748.90 crore as at the end of March 2008 to ₹ 1,275.31 crore by the end of March 2013 *i.e.* an increase of 70.29 *per cent*.
- The arrears of water charges for irrigation purpose increased by 30.63 *per cent* during the period 2007-13 while for non-irrigation purpose the arrears increased by 138.56 *per cent* during the same period.
- The arrears as a percentage of amounts recoverable were highest in Aurangabad and Amravati region at 80.99 *per cent* and 73.79 *per cent* respectively as at the end of March 2011¹⁶⁴.

¹⁶² Water Users Associations are formed under the Maharashtra Management of Irrigation System by Farmers Act, 2005 (MMISF Act)

¹⁶³ Figures for 2007-11 were obtained from the ISR for the year 2010-11

¹⁶⁴ Irrigation Status Report for the year 2011-12 and 2012-13 showing region wise arrears position was not prepared by the WRD

- The opening balance during the year did not tally with the closing balance of the preceding year during 2007-13. The difference ranged between (-) ₹ 7.82 crore (2011-12) and ₹ 120.55 crore (2008-09) as shown in **Appendix 6.1**. This needs to be reconciled.
- As per Section 11 (d) of the MWRRA Act, 2005, the water charges shall reflect the full recovery of the cost of the irrigation management, administration, operation and maintenance of the water resources project. Water charges were reduced¹⁶⁵ with effect from October 2010 by MWRRA with reference to the rates fixed by WRD in July 2006. While fixing the revised rates, MWRRA gave highest weightage to affordability (60 *per cent*) followed by accessibility (20 *per cent*) and quality and timeliness (20 *per cent*) in apportionment of operation and maintenance costs. However, reduction of water charges by MWRRA did not result in improvement in recovery. The percentage of shortfall in recovery against the total dues increased from 54.43 *per cent* in 2007-08 to 71.59 *per cent* in 2012-13.
- The PAC in its 12th Report (June 2009) on paragraph 6.6.7 of the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year 2002-03 had recommended fixing of responsibility on the officers concerned who had failed to effect the recoveries. However, huge arrears of water charges which stood at ₹ 1,275.31 crore at the end of March 2013 showed that much is required to be done to effect the recoveries.

The Government stated (August 2013) that levy of water charges was exempted from 2009 on irrigation through wells located in the command areas but the farmers stopped paying the water charges for earlier periods also. In respect of use of water for non-irrigation purposes, the Government further stated that recoveries could not be made due to unwillingness of water users as also due to sickness and closure of industries. The Government also added that efforts were underway for speeding up the recovery through personal contacts, timely issue of notices, periodical meetings held at Government level for review of situation and issue of guidelines to ensure maximum recovery.

As there was no improvement in the recovery of arrears despite meetings and issue of guidelines, it was clear that Government will have to find ways to implement its decision more effectively.

6.3 Audit findings

The observations on test check of records of six management divisions and nine divisions of the five IDCs are as follows.

6.3.1 Incorrect application of water tariff

The MWRRA issued orders in May 2011 fixing volumetric basic rates for bulk water supply (effective from October 2010) including the rates for different seasons and regions.

¹⁶⁵ The rates of water charges were reduced for all the bulk users except for Municipal Corporations getting water supply from assured sources and industries getting water from partially assured sources like KT weir, free flowing river *etc.*

Water charges for industrial use are fixed according to the source of supply and the type of industry. Further, in respect of industries using water as raw material, water charges are higher than the rate of water used by process industries. In addition, concessional rates are also allowed based on the conditions prescribed. For domestic use, the rates are fixed according to source of supply and the type of bulk user.

During test check of bills raised by the management divisions and divisions of the IDCs, audit noticed short-recovery of water charges on various counts amounting to ₹ 10.42 crore, as detailed below:

- Short-recovery of water charges (₹ 1.31 lakh including local cess) from MIDC (Akola) was noticed in Jalgaon Irrigation Division as bills were raised (March 2011 to June 2011 and March 2012) at ₹ 38 per unit¹⁶⁶ instead of the applicable rate of ₹ 48 per unit. The Government stated (August 2013) that an amount of ₹ 1.03 lakh had been recovered in March 2013. Details of recovery of the balance amount of ₹ 0.28 lakh was awaited (July 2013).
- The tariff order (issued by the WRD in July 2006 and by MWRRA in May 2011) provided for higher rates of water charges if the source of supply was from canal or from the river flowing below the dam, as against the supply made directly from the dam. Three bulk users namely M/s Supreme Industries (Waghur Dam Division), Parle International (Raigad Irrigation Division) and Reliance Infrastructure Limited (Bhatsa Canal Division) did not draw water from the original dam source but from downstream source. However, the rate applicable for supply of water directly from the dam was applied, resulting in short recovery of water charges aggregating ₹ 5.20 crore including local cess for various periods between June 2007 and March 2012.

The Government stated (August 2013) that the distance between the point of lifting in the river and the dam on the upstream was more than eight kilometers which was acting as a free catchment and providing additional water in the river during rainy season and thus, treated as a river having no dam on the upstream. Hence, there was no short-recovery.

The reply is not acceptable as the GR of July 2006 provides for levy of water charges at lower rates where no dam is constructed anywhere on the upstream. Further, the GR also does not draw reference to the distance between point of lifting and the dam on upstream. It is also pertinent to mention that in case of Reliance Infrastructure Limited, on the basis of audit observation, demand for differential amount of ₹ 3.66 crore up to March 2013 was raised of which, ₹ 1.75 crore had already been recovered.

- Tariff orders (2006 and 2011) provided for concessional rates for the industries recycling water thereby reducing their demand for water to the extent of at least 25 *per cent*. M/s Liberty Oil Mills, Bamane, Shahapur, District Thane was allowed 10 *per cent* concession on water charges though the condition of recycling of water and consequent reduction in demand for water to the extent of at least 25 *per cent* was not fulfilled.

¹⁶⁶ One unit is equivalent to 10 cubic metres

This resulted in short-recovery of ₹ 3.59 lakh including local cess for the period April 2007 to March 2011. The Government stated (August 2013) that due to oversight concession was allowed and an amount of ₹ 3.50 lakh had been recovered. Details of recovery of the balance amount was awaited (November 2013).

- M/s Rashtriya Chemicals and Fertilisers Limited, Thal and Bhushan Steel and Stripes Ltd. Savroli, Taluka Khalapur under Raigad Irrigation Division, Kolad (RID) used recycled water and thus, reduced their demand for water but no concessions were given to them despite their claim in January 2008 and January 2012 respectively. The Government stated (August 2013) that the matter was under process. As the issue has been pending for a period ranging between 19 to 55 months, the same needs to be expedited so as to encourage other industries to reduce their consumption of water through recycling.
- Scrutiny of bills of five bulk users of RID and two bulk users of Bhatsa Canal Division, Shahapur revealed incorrect application of tariff by MWRRA for various periods between October 2010 and October 2011, resulting in short-recovery of ₹ 5.17 crore including local cess. The Government stated (July 2013) that rates were applied correctly as per MWRRA orders dated 30 May 2011 effective from 15 October 2010. Reply is not acceptable as the water bills raised clearly showed application of incorrect rates.

6.3.2 Non-ascertainment of actual end use

In the agreements entered into between the Department and the bulk users, the percentage at which the water charges are to be levied with respect to quantity of water supplied for domestic and industrial use are decided. Test check of six agreements revealed that the agreed percentages for supply of water for domestic and industrial use were 90 and 10 *per cent* for Brihanmumbai Municipal Corporation (BMC) and 99 and one *per cent* for Thane Municipal Corporation (TMC). In cases of Vasai-Virar Municipal Corporation, Jalgaon Municipal Corporation (JMC), Maharashtra Jeevan Pradhikaran (MJP), Amravati and City and Industrial Development Corporation Limited, Navi Mumbai, the agreements stipulated for 100 *per cent* domestic use. Scrutiny in audit revealed the following:

- There was no mechanism in place to ascertain that the actual percentage of use of water by the bulk users was as per the agreements. Waghur Dam Division was supplying water to JMC, which in turn was supplying water to Jain Irrigation Systems, an industrial unit. However, JMC was paying water charges for 100 *per cent* domestic use. Similarly, in the city of Amravati, though MJP was also supplying water to industries, 100 *per cent* domestic rates were applied.
- The percentages fixed in the agreements do not take into account the end use of water for industrial purpose though the water charges for industries

using water as raw material was higher¹⁶⁷ than the rates prescribed for process industries. The Government was not aware of the actual use of water by the bulk users as no mechanism to watch the same had been prescribed. This resulted in recovery of water charges at a uniform rate irrespective of actual use. Hence, there was a need to prescribe periodic returns to ensure that water charges were paid by the bulk users at the appropriate rates.

The Government accepted (August 2013) the audit observation and stated that it had raised an additional demand of ₹ 55.35 lakh in respect of water supplied to Jain Irrigation Systems. In case of MJP supplying water to the city of Amravati, the Government confirmed that water was supplied to industries also but 100 *per cent* domestic rates were applied. The Government further stated that guidelines to access the end users directly for the purpose of charging bills from the bulk users was under consideration.

6.3.3 Non-inclusion of component of capital cost in water tariff

As per the provisions of IDC Acts, determination and levy of water charges shall be such that water charges so recovered shall be sufficient to cover at least the interest charges on repayment of the loan raised from the open market. However, as per Section 11(d) of the MWRRA Act, 2005, water charges shall reflect the full recovery of the cost of the irrigation management, administration, operation and maintenance of water resources project. Thus, MWRRA Act, 2005 does not take into consideration the recoupment of interest charges on repayment of loans raised from the open market while determining the tariff. This was confirmed by MWRRA in November 2012.

In the exit conference, the Principal Secretary, WRD stated (July 2013) that the point raised by audit would be looked into and addressed during the next tariff order.

6.3.4 Recovery of penalty from water polluting industries

Under Section 12 (5) of the MWRRA Act, 2005, MWRRA was required to support and aid the enhancement and preservation of water quality within the State in close co-ordination with the State agencies by following the principal '*the person who pollutes shall pay*'. Further, as per paragraph 4.1.3 of Water Tariff Orders issued (May 2011) by the MWRRA, every industry was required to treat the effluents to the prescribed standards fixed by MPCB before release into natural water course, failing which rate equal to twice the applicable rate of water charges was leviable.

Audit observed that the existing agreements with the bulk users were not modified to include the penal provisions prescribed by MWRRA in the tariff order of May 2011. Further, WRD also did not obtain any data from MPCB in order to penalize the polluting industries.

¹⁶⁷ The water charges for industries using water as raw material was five times the rates prescribed for process industries as per the tariff order effective from October 2010 and was more than five times from September 2006 to September 2010

The Government stated (August 2013) that action against polluting industries was to be taken by MPCB and cases coming to its notice were referred to MPCB for necessary action.

The reply is not tenable as the WRD was required to levy penalty in addition to any other action that the MPCB may separately take.

6.3.5 Non- enforcement of penal provisions

WRD issued (29 June 2011) area-based water tariff order for supply of water for agriculture use based on the criteria for determination of bulk water tariff fixed by MWRRA. The rates were revised retrospectively from 15 October 2010. The order provided that farmers having more than two children born after one year of the enactment of the MWRRA Act (*i.e.* after 8 June 2006) were to be charged 1.5 times the applicable rate of water charges. However, audit observed that data regarding farmers having more than two children born after 08 June 2006 was not maintained for levy of penal water charges.

The Government stated (August 2013) that henceforth, information regarding number of children in respect of farmers would be collected.