

## CHAPTER-III

### 3. Compliance Audit Observations relating to Power Sector Undertakings

Important audit findings emerging from test check of transactions made by the Public Sector Undertakings relating to Power Sector are included in this Chapter.

#### Energy Department

#### Madhyanchal Vidyut Vitran Nigam Limited

#### 3.1 Avoidable loss of revenue

#### Madhyanchal Vidyut Vitran Nigam Limited suffered loss of revenue of ₹ 3.26 crore due to incorrect billing to a consumer.

Clause 5.3 (Supply and Installation of Meter) of the Uttar Pradesh Electricity Supply Code, 2005 (Supply Code) provides that if supply to a HT/EHT consumer is given on an independent feeder for his exclusive use, the metering arrangement shall be installed at the consumer's premises or, if mutually agreed, the metering arrangement at the sub-station of the Licensee may be used for billing and no meter need be installed at the premises of the consumer.

The Tariff Orders<sup>1</sup>, applicable to High Voltage (HV)-4 category<sup>2</sup> consumers (Lift Irrigation Works), provide the rates at which the applicable demand and energy charges shall be billed for the actual consumption of electricity. The Tariff Orders, further, provide for levy of monthly 'minimum charges<sup>3</sup>' if the sum of demand charges and energy charges, in any particular month, is less than the Minimum charges.

A consumer in Electricity Distribution Division- Balrampur (Division) of the Madhyanchal Vidyut Vitran Nigam Limited (Company) had a contracted load of 2,500 kVA and was getting supply through independent feeder of 132 kV Sub-station-Balrampur. No meter was installed at the Consumer's premises and the Division was preparing bills on the basis of contracted demand and consumption recorded in the meter installed at its 132 kV Sub-station-Balrampur under HV-4 category.

Audit noticed (May 2017) that the Company suffered loss of ₹ 7.37 crore due to incorrect billing by the Division during the period from January 2015 to September 2018 (*Appendix-3.1*) as discussed below:

(i) Though the actual consumption charges in 27 out of 45 months during the period from January 2015 to September 2018 were less than the prescribed monthly minimum charges, yet the Division billed the Consumer on the basis

<sup>1</sup> Tariff Order 2014-15 dated 12 October 2014, 2015-16 dated 28 June 2015, 2016-17 dated 10 August 2016 and 2017-18 dated 09 December 2017.

<sup>2</sup> The Rate Schedule (HV-4) applies to medium and large pumped canals having load of more than 100 BHP (75kW).

<sup>3</sup> Minimum charges are computed at the prescribed rates on contracted load and further, it also includes additional charges such as Electricity Duty, Regulatory Surcharges, etc.

of actual consumption. This resulted in loss of revenue of ₹ 2.00 crore as detailed in the **Appendix-3.2 (a)**.

(ii) The Division had issued bills amounting to ₹ 9.29 crore in 28 out of 45 months during the period from January 2015 to September 2018. However, the consumer had arbitrarily and without any criteria on record verified the bills amounting to ₹ 5.92 crore only on the pretext of non-installation of meter at its premises. However, the Division did not carry forward the amount short verified against the billed amount as arrear in forthcoming bills of the Consumer. This resulted in short verification of billed amount by ₹ 3.37 crore as detailed in the **Appendix-3.2(b)**. Moreover, reasons for non-installation of meter at the premises of the consumer since inception remained unexplained as no mutual agreement in this regard was entered into between the Division and the consumer.

(iii) During the period from January 2015 to September 2018, in 18 out of 45 months, the Division had prepared bills on the basis of the contracted load instead of the billable load<sup>4</sup> which was significantly higher with range from two *per cent* to 472 *per cent* in five months and lower with range from 10 *per cent* to 88 *per cent* in 13 months of the contracted load of 2500 kVA. Further, it did not charge due penalty<sup>5</sup>. This resulted in loss of revenue of ₹ 2.00 crore as detailed in the **Appendix 3.2 (c)**. The error came to the notice of the Management when reported (May 2017) by the Audit. However, the error was persisting till September 2018.

In the reply, the Management/Government stated (August 2019/ September 2019) that out of ₹ 7.37 crore as pointed out by the Audit, bills for an amount of ₹ 4.11 crore has been got verified from the consumer. Regarding short verification of ₹ 3.26 crore, it was stated that the same could not be billed to the consumer as the feeder line of the consumer was tapped during September 2016, September 2017 and October 2018 to provide energy to the consumers of Utraula region due to Utraula line being affected by flood. Hence, the consumer was billed for minimum charges during this period.

However, the reply did not mention how the difference amount of ₹ 3.26 crore has been compensated even after specifically being asked by the Audit in August 2019.

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<sup>4</sup> General provision of Rate Schedule of Tariff Order stipulates that Billable Load/Demand during a month shall be the actual maximum load/ demand as recorded by the meter or 75 *per cent* of the contracted load/demand, whichever is higher.

<sup>5</sup> General provision of Rate Schedule of Tariff Orders stipulates that if the maximum load/demand in any month, exceeds the contracted load/demand, then such excess load/demand shall be levied equal to 200 *per cent* of the normal rate apart from the normal fixed/demand charges as per the maximum load/demand recorded by the meter.

**Audit Impact**

**In the following cases, recoveries were made at the instance of audit:**

**Purvanchal Vidyut Vitran Nigam Limited****3.2 Recovery of ₹ 1.15 crore towards short levy of minimum charges**

The Tariff Orders for the years 2015-16 and 2016-17, approved by the Uttar Pradesh Electricity Regulatory Commission and applicable to High Voltage (HV)-3 category Consumers (Railway Traction), provide that a consumer shall be billed on the basis of 'minimum charges' only when the sum of actual demand and energy charges are less than the minimum charges. Further, General Provision of the Tariff Orders provides that monthly minimum charges are to be computed at the contracted load.

After being pointed by Audit in August 2017, that the minimum charges during the period August 2015 to July 2016 of a consumer were incorrectly calculated at 75 per cent of the contracted load contrary to the 100 per cent of the contracted load, the Electricity Urban Distribution Division-III Gorakhpur of the Purvanchal Vidyut Vitran Nigam Limited issued (January 2018) supplementary bill of ₹ 1.15 crore for recovery of the short charged amount of minimum charges and recovered the same from the Consumer in April 2018.

**Madhyanchal Vidyut Vitran Nigam Limited****3.3 Recovery of ₹ 1.82 crore towards interest on mobilisation advance**

In contravention of the CVC guidelines (April 2007) regarding recovery of interest free mobilisation advance (MA), the Madhyanchal Vidyut Vitran Nigam Limited (Company) neither fixed any time schedule for recovery of mobilisation advance nor stipulated any provision in this regard in an agreement (September 2012) with a contractor for supply and erection work of 'System Improvement, Strengthening and Augmentation of Distribution System in Shahjhapur Town' under R-APDRP Part-B scheme on turnkey basis at a cost of ₹ 81.54 crore with the date of completion December 2013. The Company provided (October 2012) interest free mobilisation advance of ₹ 8.15 crore to the Contractor.

Audit noticed that the Company deducted ten per cent of the value of bills against mobilisation advance from the bills submitted by the contractor. However, only ₹ 0.22 crore could be recovered against the MA upto the scheduled completion date *i.e.* December 2013. As work could not be completed within scheduled period, the contractor enjoyed interest free mobilisation advance upto January 2018 instead of December 2013. This had resulted in an interest loss of ₹ 1.82 crore to the Company on unrecovered amount of advance during the period from January 2014 to January 2018.

After being pointed out by Audit in November 2017, the Management recovered ₹ 1.82 crore against loss of interest from the pending bills of Contractor in March 2019.

### **Uttar Pradesh Power Transmission Corporation Limited**

#### **3.4 Recovery of ₹ 2.92 crore towards shut down charges**

Uttar Pradesh Power Transmission Corporation Limited (UPPTCL) realises shut down charges from external agencies who request for line shifting, height raising or for allotment of shutdown of transmission lines at the rates approved by the Board of Directors (BoD) of the UPPTCL. Rates applicable with effect from 30 October 2009 were further revised (May 2016) by the BoD with effect from 03 August 2016.

After being pointed out by Audit in September 2017, the Electricity Transmission Division-I, Varanasi included the shutdown charges amounting to ₹ 2.92 crore in five executed estimates of height raising works of 132 KV transmission lines relating to the four external agencies and the same were recovered from the concerned agencies in June 2019.