

CHAPTER VII: MINISTRY OF POWER

7.1 Loss to Public Exchequer due to not taking into account the inputs of National Load Despatch Centre in implementation of Power System Development Fund schemes

Due to not taking into account the inputs of National Load Despatch Centre by Ministry of Power, there was avoidable raising and parking of idle fund of ₹1,018.12 crore at lower rates of interest, resulting in loss to public exchequer by ₹11.17 crore.

As per the Central Electricity Regulatory Commission (CERC) Regulations 2014, Power System Development Fund (PSDF) is a public fund and shall be maintained in the Public Account under Ministry of Power. Accordingly, the PSDF collected from Generating Companies, Transmission licensee and Distribution Licensee etc., under various pool accounts¹ of Regional Load Despatch Centres were transferred to the Public Account under Ministry of Power. Later in December 2014, Ministry of Finance directed to transfer the PSDF fund from the Public Account to the Consolidated Fund of India.

The PSDF is utilised for execution of projects of the State and Central power sector utilities to improve the security and reliability of the India power system at State, Regional and National level. As per the Ministry approved guidelines, the projects of the regional entities seeking grant from PSDF is evaluated and appraised by an Appraisal Committee, chaired by Chairman, Central Electricity Authority. The sanction of funds is done by the Inter-Ministerial Monitoring Committee chaired by Secretary, Ministry of Power. National Load Despatch Centre (NLDC), a unit of Power System Operation Corporation² (POSOCO), has been designated as the nodal agency to carry out the secretariat function for the PSDF. The disbursement is done by making suitable provisions in the demand for grants of Ministry of Power. NLDC, as nodal agency, is required to budget and schedule the fund requirements based on implementation status of the funded projects and the fund requirements projected/ committed by the utilities.

NLDC intimated (October 2018) to Ministry of Power for further fund requirement of ₹5,481.33 crore for approved PSDF funded projects/ schemes for 2018-19. The requirement was revised to ₹5,505.61 crore in December 2018. Based on the request of NLDC, Ministry of Power sought approval of Ministry of Finance for raising extra budgetary resources for the required fund. Ministry of Finance conveyed

¹ *Congestion Charges after release of amounts payable to Regional Entities, Deviation Settlement Charges, Regional Load Despatch Centre Reactive Energy charges, Additional Transmission Charges arising out of the explicit auction process in Short-Term Open Access Advance Bilateral transactions and other charges as may be notified by the Central Commission from time to time.*

² *The Corporation is responsible for monitoring and ensuring round the clock integrated operation of Indian Power System in a reliable, efficient and secure manner thus serving a mission critical activity. It consists of five Regional Load Despatch Centres and the National Load Despatch Centre.*

(21 January 2019) approval for raising extra budgetary resources upto ₹5,504.76 crore through private placement mode. Balance amount of ₹0.85 crore was to be met out from the present available balance in the accounts. Extra budgetary resources were to be raised as public loan through Power Grid Corporation of India Limited (PGCIL): ₹3,487.53 crore and Power Finance Corporation Limited (PFC): ₹2,017.23 crore. Ministry of Power directed (21 January 2019) PGCIL and PFC to raise the above funds as approved by the Ministry of Finance. Subsequently PFC was replaced by NHPC Limited (NHPC) on 12 March 2019 for raising of funds of ₹2,017.23 crore through private placement. NLDC intimated (4 February 2019) to Ministry of Power that requirements for approved projects of PGCIL had fully matured and ₹3,487.53 crore being raised by PGCIL would be fully utilised. However, with regard to the balance ₹2,017.23 crore for projects of other State entities, ₹423 crore would be utilised immediately and ₹613 crore upto 31 March 2019. NLDC further suggested (4 February 2019) that the funds may be raised in phased manner to avoid idling of the funds. However, no response in this regard was received from Ministry of Power.

In compliance of directions of Ministry of Power, PGCIL raised (14 February 2019) Government of India fully serviced bonds of ₹3,487.50 crore at an interest rate of 8.24 *per cent* on semi-annual basis. The fund so raised was utilised for their PSDF funded approved projects based on the project-wise admissibility issued by NLDC. NHPC also raised GoI fully serviced bonds of ₹2,017 crore on 22 March 2019 at an interest rate of 8.12 *per cent* and transferred the same to NLDC for further disbursement to approved project entities.

Out of the fund received from NHPC, NLDC immediately disbursed/ released ₹760.65 crore for PSDF projects of other State entities upto 31 March 2019 and ₹238.88 crore in April 2019. However, balance amount of ₹1,018.12 crore could not be utilised and was kept idle. In view of underutilisation of the fund so raised through extra budgetary resources, Ministry of Power directed (28 March 2019) NLDC to keep the surplus amount with the banks, offering the highest interest rate, since the same was kept idle. NLDC, accordingly, deposited ₹1,000 crore in two banks (i.e., ₹320 crore in HDFC Bank @ 7.50 *per cent* for one year, ₹480 crore in Indian Bank @ 7.05 *per cent* for one year and ₹200 crore in Indian Bank @ 6.76 *per cent* for a period ranging from 91 to 120 days). Funds were actually kept in FDRs for 86 days to 359 days.

Audit observed that the inputs given by NLDC on 4 February 2019 were not taken into account by the Ministry of Power as a result of which, funds were raised more than the requirement. This led to parking of idle funds of ₹1,000 crore at lower rate of interest and resultant loss of ₹11.17 crore to public exchequer.

Ministry of Power replied (February 2021) that NLDC made budget on projections based on the project progress committed by the entities and later on entities failed to produce the committed progress which affected the fund disbursal and it was difficult to enforce the expenditure as projected as the execution of the projects were under the control of the

utilities. Ministry also stated that during 2016-17 and 2017-18, actual budget approved through demand of grants of Ministry was lesser than requirement for PSDF. This initially, affected the pace of execution to some extent.

The reply of Ministry of Power is to be viewed against the fact that idling of fund resulted due to failure of the Ministry to take into account the input of NLDC sent vide letter dated 4 February 2019 to Ministry of Power. Besides this, Ministry of Power contention that lesser allocation than budgeted requirement impacted the projects execution is also to be viewed against the fact that NLDC could not even fully utilise the previous allocated budget till 2017-18, which resulted in unspent balance of ₹20.47 crore. Mismatching of funds could have been controlled through better monitoring mechanism and by taking prompt action on inputs from beneficiaries States as well as from NLDC.

Thus, failure of Ministry of Power to take into account the available inputs led to borrowing of higher fund of ₹1,018.12 crore and parking the same at lower rates of interest resulting in loss of ₹11.17 crore to the public exchequer.