

## Chapter-III

### Contract Management

**3.1** Contract Management is the process of managing agreements, from their creation through to their execution. It involves selection of adequate procurement method, invitation and finalisation of tenders and awarding of contracts as per laid down procurement procedures, rules and regulations, ensuring financial propriety and timeliness in tendering process.

DDUGJY stipulated appointment of utility-wise project monitoring agency (PMA) and appointment of executing agencies/contractors for awarding the project works on turnkey basis for implementation of the scheme at the level of DISCOMs. For implementation of DDUGJY, the three DISCOMs appointed four agencies (six contracts) for executing the works defined for PMA (including project formulations) at a total award cost of ₹ 18.99 crore against the scheme provision of ₹ 14.03 crore (0.50 per cent of total sanctioned cost).

Further, for implementing the 33 projects having combined sanctioned project cost of ₹ 2,805.38 crore (excluding PMA charges), the DISCOMs awarded 47 turnkey contracts for ₹ 2,427.00 crore (excluding the cost of meters provided as free issue items and civil works carried out at substations through CLRC for ₹ 244.11 crore).

The shortcomings noticed in contract management are discussed in this Chapter.

### Statutory provisions governing procurement procedures

**3.2** The procurement procedures followed by the DISCOMs are governed under certain statutory provisions. Major relevant statutory provisions are discussed as under:

**A. Provisions of the RTPP Act, 2012/ RTPP Rules, 2013**

**3.3** Government of Rajasthan enacted (May 2012) the Rajasthan Transparency in Public Procurement (RTPP) Act, 2012 and notified (January 2013) the RTPP Act, 2012 and RTPP Rules, 2013 to regulate public procurement with the objectives of ensuring transparency, fair and equitable treatment of bidders, promoting competition, enhancing efficiency and economy and safeguarding integrity in the procurement process. The RTPP Act/Rules came into effect from the date of their notification and provisions of the Act/Rules were applicable to all the Public Sector Enterprises owned/controlled by the State Government. Certain relevant provisions of the RTPP Act, 2012/ RTPP Rules, 2013 are given as under:

#### Methods of Procurement

- Section 28 provided that a procuring entity may procure a subject matter of procurement (*i.e.* goods, services and works) by means of any of the 10 methods<sup>46</sup>.

#### Single Source Procurement

- Section 31 provided that a procuring entity may choose to procure the subject matter of procurement by the method of single source procurement in the circumstances stipulated<sup>47</sup> in this Section. Further, Rule 17 provided that a procuring entity may procure the subject matter by this method, if hiring of the services of consultant or professional is required, for a maximum period of twelve months and up to financial limit of ₹ 12 lakh in each case; or price of subject matter of procurement is administered by the GoR/GoI.

### B. Guidelines/directions of the Central Vigilance Commission (CVC)

3.4 CVC issues directions/guidelines on maintaining transparency in activities of government departments/organisations (including PSUs) from time to time. Certain relevant directions/guidelines are as given under:

#### Award of work on nomination basis

- CVC's circular on '*Transparency in Works/Purchase/ Consultancy contracts awarded on nomination basis*' stipulated (9 May 2006) that open tendering is the most preferred mode of tendering and award of tender on nomination basis should be done only in inevitable circumstances. CVC, through an office order, reiterated (5 July 2007) that tendering process or public auction is a basic requirement for the award of contract by any Government agency as any other method, especially award of contract on nomination basis, would amount to a breach of Article 14 of the Constitution guaranteeing right to equality, which implies right to equality to all interested parties.

Besides, procurement is to be carried out in accordance with the provisions of Purchase Manual, Works Manual and other circulars/orders issued by the DISCOMs from time to time.

### *Appointment of agencies for formulation and monitoring of projects*

3.5 Clause 11 of Chapter-II (Project Formulation and Implementation) under DDUGJY guidelines provided that an appropriate Project Management Agency (PMA) shall be appointed preferably utility-wise/DISCOM-wise to assist them in project management ensuring timely implementation of the

46 (a) Open Competitive Bidding; (b) Limited Bidding; (c) Two stage Bidding; (d) Single Source Procurement; (e) Electronic Reverse Auction; (f) Request for Quotations; (g) Spot Purchase; (h) Competitive negotiations; (i) Rate Contract; (j) any other method of procurement notified by the State Government satisfying the principles of procurement contained in this Act and which the State Government considers necessary in public interest.

47 A particular prospective bidder having exclusive rights in respect of subject matter; owing to sudden unforeseen event, there exists an extremely urgent need; procurement of additional supplies/services for standardization; extension of existing contract; national security interests; artistic subject matter; confidentiality of subject matter; *etc.*

project. The Government of India will provide 100 *per cent* grant towards expenditure incurred on PMA as per provision in the scheme *i.e.* up to 0.50 *per cent* of cost of works. The DISCOM has to bear any cost beyond 0.50 *per cent* of the sanctioned project cost, if any, from own resources for deployment of PMA. It further provided that the DISCOM can select any PMA from CPSUs or through open bidding as per their policy/ guidelines. In continuation of the guidelines of DDUGJY, the Ministry of Power, Government of India issued (January 2017) other guidelines *i.e.* guidelines for Project Management Agency for DDUGJY (PMA guidelines). The PMA guidelines reiterated the need for appointing an appropriate PMA for assisting DISCOMs in formulating projects, conducting bidding process and monitoring the physical as well as financial progress of DDUGJY. The activities defined in the scope of work to be executed by PMA consisted of optional activity *i.e.* project formulation work (preparation of NAD and formulation of DPRs) and mandatory activities *viz.* monitoring and coordination of bidding process, project planning and implementation, quality monitoring, updating of MIS and Web Portal and coordination with Nodal Agency/MoP *etc.*

After issuance of DDUGJY guidelines, Jaipur DISCOM initiated (December 2014) efforts for appointment of an agency for DPR formulation and project management work on nomination basis. Later, Jaipur DISCOM decided (February 2015) to deploy a separate PMA for its projects and accordingly, it continued to appoint an agency on nomination basis by restricting its work to formulation of DPRs only. Jodhpur DISCOM also decided (March 2015) to follow the methodology of appointments adopted by Jaipur DISCOM. Accordingly, Jaipur DISCOM and Jodhpur DISCOM nominated (March 2015) WAPCOS Limited (WAPCOS) for formulation of DPRs.

The methodology adopted by Ajmer DISCOM slightly differed from the other two DISCOMs as it formulated the DPRs at its own. Thereafter, each of the three DISCOMs appointed (August 2015 and May 2017) two PMAs *i.e.* (i) an HO level PMA for conducting all mandatory activities (except quality assurance and inspection at field level) and (ii) Circle level PMA for quality assurance and inspection at field level.

The agencies appointed by the DISCOMs for formulation and monitoring of DDUGJY projects and the work orders awarded and expenditure incurred thereon in excess of the funds allocated for PMA are depicted below:

**Table 3.1**  
**Appointment of agency for PMA and other services (January 2021)**

Purpose (Name of agency)	Jaipur DISCOM		Ajmer DISCOM		Jodhpur DISCOM	
	Value of award	Actual expenditure incurred	Value of award	Actual expenditure incurred	Value of award	Actual expenditure incurred
Formulation of DPRs (WAPCOS) (₹ in crore)	3.53	2.94	-	-	3.27	3.26
HO level PMA (Deloitte Touche Tohmatsu India Private Limited) <sup>48</sup> (₹ in crore)	1.05	1.36	1.04	1.79	1.09	1.61
Circle level PMA (FIPL for Jaipur DISCOM and MTCPL for Ajmer & Jodhpur DISCOMs) (₹ in crore)	2.70	2.63	3.15	3.04	3.16	4.25
<b>Total (₹ in crore)</b>	<b>7.28</b>	<b>6.93</b>	<b>4.19</b>	<b>4.83</b>	<b>7.52</b>	<b>9.12</b>
<b>Sanctioned cost of projects (₹ in crore)</b>	1027.08		829.35		948.95	
Percentage of PMA/consultant cost to sanctioned project cost	0.71	0.67	0.51	0.58	0.79	0.96
Percentage of PMA/consultant cost in excess of Scheme's provision	0.21	0.17	0.01	0.08	0.29	0.46

Audit observed that though DDUGJY guidelines provided for appointment of one PMA for each entity however each of the three DISCOMs appointed separate PMAs for monitoring of their projects at HO level and Circle level. Further, in case of Jaipur DISCOM and Jodhpur DISCOM, the award cost as well as actual cost incurred on PMAs (including cost incurred for DPR formulations) was significantly higher over the amount receivable from the GoI in the form of grant for PMA. Resultantly, these two DISCOMs incurred ₹ 1.79 crore<sup>49</sup> and ₹ 4.37 crore<sup>50</sup> respectively from their own funds till January 2021. As the closure is still in progress, the burden of PMA expenditure will further increase till closure of the Scheme.

The Government accepted the facts regarding PMA charges. The reply was, however, silent on the issue of appointment of separate agencies for HO level and Circle level.

Further, the deficiencies noticed in appointments of project formulation agency/ PMAs are discussed in subsequent paragraphs:

#### ***Nomination of WAPCOS in violation of RTPP Act/Rules***

**3.6** For formulation of DPRs, Jaipur DISCOM identified (December 2014) one CPSU namely REC Power Distribution Company Limited (RECPDCL) and sought its offer for the work of survey and formulation of DPRs as well as Project Management Consultancy services under DDUGJY. After negotiations and revision of scope, RECPDCL offered (17 February 2015) to execute the

48 In the absence of availability of segregated values of award and actual expenditure, the proportionate values have been derived on the basis of sanctioned project costs.

49 ₹ 6.93 crore - ₹ 5.14 crore (i.e. 0.5 per cent of ₹ 1027.08 crore).

50 ₹ 9.12 crore - ₹ 4.75 crore (i.e. 0.5 per cent of ₹ 948.95 crore).

work at the rate of 0.75 *per cent* (without using GPS for survey work) and 0.95 *per cent* (using GPS for survey work) of the approved project cost. Thereafter, the Superintending Engineer (Rural Electrification) of Jaipur DISCOM also sought (18 February 2015) offers from another CPSU namely WAPCOS. WAPCOS offered (19 February 2015) to execute the work at the rate of 0.39 *per cent* (without using GPS for survey work) and 0.41 *per cent* (using GPS for survey work) of the approved project cost. The matter was placed (23 February 2015) before Corporate Level Purchase Committee (CLPC). The CLPC, considering the rates offered by WAPCOS on higher side, called its representative in the meeting itself and counter offered to award the work at 0.30 *per cent* of the approved project cost (using GPS for survey work) which was accepted by WAPCOS. Accordingly, Company placed (4 March 2015) the work order on WAPCOS at the agreed rate.

Similarly, Jodhpur DISCOM, without adopting a method from the procurement methods prescribed under the RTPP Act/Rules, depended on the methodology adopted and the rates finalised by Jaipur DISCOM for procurement of services of survey and DPR formulation from WAPCOS. Accordingly, CLPC of Jodhpur DISCOM also awarded (March 2015) the survey and DPR formulation work in favour of WAPCOS at the rate and terms and conditions adopted by Jaipur DISCOM.

Audit observed that Superintending Engineer (Rural Electrification) of Jaipur DISCOM chose WAPCOS on random basis without even obtaining the approval of competent authority. Further, the two DISCOMs (Jaipur and Jodhpur) bypassed the procurement methods stipulated in Section 28 of the RTPP Act without recording the reasons of deviation and ignored the CVC guidelines. Thus, these DISCOMs could not ensure transparency and competitiveness in procurement of services for conducting survey and formulating DPRs.

The Government stated that Jaipur and Jodhpur DISCOMs nominated WAPCOS, being a CPSU, through single source selection as per Rule 176 of GFR 2005.

The reply was not acceptable as Rule 176 of the GFR 2005 allows single source procurement in certain special circumstances with recorded justification which was not done. Further, Rule 17 (1) of the applicable RTPP Rules allows hiring of services of consultant through single source procurement upto the limit of ₹ 12 lakh only while the cost of hiring WAPCOS was ₹ 3.53 crore and ₹ 3.27 crore for Jaipur and Jodhpur DISCOMs respectively. The Scheme guidelines also allow appointment of CPSUs by adopting procurement policy/guidelines of the concerned entity. Therefore, methods prescribed under Section 28 of the RTPP Act should have been followed for appointment of CPSU.

### **Award of turnkey contracts for implementing DDUGJY projects**

**3.7** Clause 8 (Mode of Implementation) under Chapter-II (Project Formulation and Implementation) of DDUGJY guidelines provided that the projects shall be implemented on turn-key basis. The turnkey contract shall be awarded by the concerned utilities through e-tendering in accordance with the prescribed Procurement Policy, Standard Bidding Document (SBD) and Technical Specifications being circulated separately by the nodal agency. The

projects have to be awarded within six months of the date of communication of the approval by the Monitoring Committee.

***Tender invitation without finalisation of SBD/project approval***

**3.8** After launch of DDUGJY, REC circulated (June 2015) SBD for full turnkey projects. Subsequently, MoP took (August 2015) a new initiative of mobilising high value sub-transmission and distribution materials under DDUGJY. Accordingly, REC issued (April 2016) modified SBD for partial turnkey execution. Meanwhile Jaipur DISCOMs initiated (November 2015) tendering process for awarding their project. After issue of modified SBD, DISCOMs again invited (May 2016) tenders for supply and erection works on partial turnkey basis and collectively decided (April/May 2016) specifications for procuring free issue items<sup>51</sup> at their level. This also could not materialise due to revision in the process of awarding the contracts by the MoP. Later, REC conveyed (26 July 2016) approval for floating full turnkey contracts for implementing the DDUGJY projects and uploaded (August 2016) SBD on the DDUGJY web portal.

Audit observed that tenders initiated by the DISCOMs without finalisation of tendering mechanism (full turnkey/partial turnkey), technical specifications and SBD did not serve any purpose. Further, Jaipur DISCOM invited (November 2015) the tenders even before project wise/component wise approval (December 2015) of DPRs by the MC. Resultantly, the DISCOMs were forced to scrap the tenders and re-initiate a fresh tendering process.

The Government accepted the facts.

***Award of contracts at unreasonable rate without ensuring competent approval/ compliance of BoD directions***

**3.9** Jaipur and Ajmer DISCOM invited (August 2016) bids for implementation of Dausa (TN-361) and Rajsamand (TN-35) projects respectively. The estimated cost on the basis of prevailing BSR rates were kept at ₹ 51.34 crore and ₹ 55.92 crore respectively. The techno-commercial bids of the single bidders (*i.e.* a Joint Venture of Swastika Electricals and Fertilizers and Vaishno Associates Vidyut Projects and M/s Naolin Infrastructure Private Limited respectively) were opened in September 2016 and October 2016 respectively. Considering the bid responsive, financial bid of single bidders were opened in October 2016 and November 2016 respectively. In both cases, the quoted prices (₹ 74.45 crore and ₹ 77.67 crore) were considered to be on higher side and hence the CLPC of respective DISCOM counter offered (November 2016 and December 2016) ₹ 63.73 crore and ₹ 51.00 crore respectively. The counter offered rates stood at 24.13 *per cent* above net BSR value (₹ 51.34 crore) and at 40.69 *per cent* above net BSR value<sup>52</sup> (₹36.25 crore) respectively. The single bidders accepted (November 2016 and December 2016)

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51 In turnkey contracts, the DISCOMs keep a provision as per which certain higher value items viz. distribution transformers, meters, etc. are arranged by the DISCOMs and provided to the turnkey contractors for installation. As such items do not carry any cost for the contractor, these items are termed as free issue items.

52 Net BSR value worked out by the DISCOM by giving impact of galvanization and level-II transformer on supply cost and service tax on erection part.

the offered price and accordingly LOIs were issued (December 2016 and January 2017) in favour of these single bidders.

Similarly, in seven tenders of total 13 subsequent tenders (Phase-II) where single bidder had participated, prices counter offered by the CLPC of Jaipur DISCOM were accepted by the respective bidders.

The DISCOMs after issue of LOIs for Rajsamand and Dausa project placed (February 2017) the matter before respective BoD for its *Ex-post facto* approval along with seven subsequent tenders. The BoD, instead of according the approval, expressed that there existed further scope for reduction in rates and directed the CLPC to re-ascertain the reasonability of rates. It further directed to bring down the rate through negotiation/ counteroffer and to re-invite the tenders in case the rates still remained unreasonable.

Audit noticed that Ajmer DISCOM, on receipt of directions of BoD, counter offered the rate to the L1 bidder of Rajsamand project. The counter offered rate was 6.84 *per cent* lower than the rate on which LoI was issued. The counter offered rate was accepted by the bidder. Further, the CLPC of Jaipur DISCOM, despite the fact that the directions of its BoD were equally applicable for all the eight cases (*i.e.* Dausa and seven cases of subsequent tender having single bid), reassessed the reasonability of rates in seven cases only (except Dausa) and accordingly furthered its negotiations with the bidders in these seven cases for the rates so reduced in reassessment. As a result of reassessing the reasonability of rates and offering the reduced rates in these seven cases, the price was reduced by 9.12 *per cent* with total saving of ₹ 26.81 crore as the counter offered rates were accepted by the respective bidders.

Audit observed that:

- (i) In case of Rajsamand and Dausa, the respective DISCOM did not obtain the mandatory approval of the next higher authority (BoD of the respective DISCOM) as required under RTPP Act/ Rules in case of receipt of single bid.
- (ii) Since the BoD did not accord its *post facto* approval for Dausa project and passed common directions for all the cases placed before it, CLPC of Jaipur DISCOM was required to reassess reasonability of rate for Dausa also. However, it ignored/ misinterpreted the directions of BoD as no such exercise was ensured.

The Government accepted the facts and stated that LOIs were issued in favour of single participating bidders subject to ratification of decision by the BoD. It further stated that as per directions of the BoD, Ajmer DISCOM renegotiated for Rajsamand project, however, Jaipur DISCOM did not hold renegotiation for Dausa project as two other contracts were awarded at the same rate after negotiation held by CLPC. Further, *ex post facto* approval had already been granted (9 February 2017) by the BoD for Dausa project.

The fact thus remained that the DISCOMs did not follow the due procedure which ultimately resulted in renegotiation with bidders. Further, the reply was factually incorrect as the BoD did not grant *ex post facto* approval for Dausa project. Instead, it directed for re-ascertaining the reasonability of rates for all the eight cases placed before it which was not ensured for Dausa project.

## Deficiencies in award and execution of turnkey contracts

### *Infructuous expenditure of ₹ 1.18 crore on installations of M&P boxes*

**3.10** DDUGJY Guidelines stipulates that the installation of meters at substations, feeders, distribution transformers and consumers is important to ensure seamless accounting and auditing of energy at all levels in the distribution system. Further, clause 19 of the Standard Bidding Documents (SBD) and Guaranteed Technical Parameters (GTP) adopted by DISCOMs for invitation of tenders for implementation of DDUGJY projects stipulated that 25 KVA and 40 KVA three Phase Distribution Transformers were to be installed, with Meter and Protection (M&P) Box<sup>53</sup> having provision for installation of meter.

Scrutiny of records of Jaipur and Ajmer DISCOMs disclosed that all the 30 Turnkey Work (TW) contracts (23 projects) awarded for implementation of DDUGJY *inter alia* provided for installation of 2745 DTs (Jaipur: 1,421 DTs<sup>54</sup> and Ajmer: 1324 DTs<sup>55</sup>) with M&P Box.

Audit noticed that Jaipur and Ajmer DISCOMs prepared and implemented all their projects without keeping provision for metering on the DTs installed under DDUGJY. Besides, the DISCOMs did not frame any other plan to install meters on the existing DTs/newly installed DTs. Audit observed that Jaipur and Ajmer DISCOMs did not adhere to the approved SBD and GTP which was not only the gross violation of DDUGJY guidelines but also led to non-ensuring energy accounting and audit.

There was no use of installing M&P box on the DTs installed under DDUGJY, since Jaipur and Ajmer DISCOMs did not keep provision for DT metering as stated in **paragraph 2.13.7**. Audit observed that against the awarded quantity, 1,040 DTs (25 KVA/40 KVA) had been installed by Jaipur DISCOM till January 2021 of which 727 DTs were installed with M&P boxes by incurring expenditure of ₹ 0.84 crore<sup>56</sup> and rest 313 DTs were installed without M&P boxes for which deductions had been done from the running bills. In Ajmer DISCOM, 298 DTs (25 KVA/40 KVA) were installed upto December 2020. None of these 298 DTs had M&P box, however, deduction of ₹ 0.34 crore<sup>57</sup> was not made by Ajmer DISCOM towards supply of DTs without M&P box. While in Jodhpur DISCOM, no three phase DT was involved so provision for M&P box was not required.

Thus, Jaipur and Ajmer DISCOMs incurred infructuous expenditure of ₹ 1.18 crore on M&P boxes as M&P boxes installed in Jaipur remained unutilized whereas Ajmer DISCOM did not recover cost of M&P boxes from the running bills of the contractors. Besides, Ajmer DISCOM did not initiate action against

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53 As per GTP, M&P Box is an outdoor type cabinet and to be supplied as complete unit suitable for fixing an energy meter and modem along with a 'triple pole Moulded Case Circuit Breaker' (MCCB).

54 107 Nos. 25 KVA and 1,314 Nos. 40 KVA three phase capacity.

55 1,111 Nos. 25 KVA and 213 Nos. 40 KVA three phase capacity.

56 Separate rate of M&P box is not stipulated in the work contract; hence expenditure has been worked out on the basis of Standard Issue Rate of M&P Box available with Jaipur DISCOM (*i.e.* ₹ 11,511 per M&P box) for 727 DTs of Jaipur DISCOM.

57 298 M&P boxes X ₹ 11,511



the officials responsible for releasing payment without ensuring supply of M&P boxes.

The Government stated that the expenditure on M&P boxes cannot be considered infructuous as these shall be required for purpose of energy accounting and prevention of energy theft in future. Further, Jaipur DISCOM had recovered ₹ 0.40 crore from concerned contractors for not providing M&P boxes with DTs. It further stated that the matter will be examined in Ajmer DISCOM and necessary deduction will be made for non-providing M&P boxes with DTs.

The reply was not convincing as procurement of M&P boxes with DTs would not serve any purpose as the DISCOM had not prepared any plan for metering on DTs. Hence, the expenditure incurred on this account was infructuous. The matter as regards to recovery from the contractors as well as disciplinary action against official responsible for releasing payment without ensuring supply of M&P boxes along with distribution transformers was, however, pending (June 2022) in Ajmer DISCOM.

### ***Irregular release of Price Variation towards copper wound DTs***

**3.11** REC issued (August 2016) final SBD with the condition that the DISCOMs may modify the SBD/specifications with the approval of the State Level Standing Committee (SLSC). SLSC approved (14 July 2016) the modifications/ amendments proposed by the DISCOMs in the SBD. Section IV of Volume I (General Conditions of Contract) provided that the contract price shall be as specified in the Contract Agreement and it shall be subject to adjustment in accordance with the provisions of Appendix 2 (Price Adjustment) to the Contract Agreement. As per Appendix 2, price adjustment was to be allowed only for specifically prescribed equipment/ materials/ items<sup>58</sup>. This was to be done as per stipulated formulae and prices of all other equipment/ materials/items were to remain firm as such no price adjustment were to be applicable. The DISCOMs initiated (August 2016) tendering process on the basis of modified SBD and awarded (between November 2016 and May 2017) contracts for all the projects where SBD (including Appendix-2 of SBD) formed part of the work orders/contracts in all cases.

During review of records, it was noticed that the three DISCOMs procured 68,114 single phase copper wound DTs worth ₹ 425.14 crore under DDUGJY till September 2020 as detailed under:

**Table: 3.2**  
**Status of single phase copper wound distribution transformers procured under DDUGJY**

Capacity of DT	Jaipur DISCOM		Ajmer DISCOM		Jodhpur DISCOM	
	Quantity (in Nos.)	Value (₹ in crore)	Quantity (in Nos.)	Value (₹ in crore)	Quantity (in Nos.)	Value (₹ in crore)
5 KVA	0	0.00	6787	70.14	12797	58.44
10 KVA	0	0.00	2512	16.26	14997	88.25
16 KVA	17101	135.09	9534	34.66	4386	22.30
<b>Total</b>	<b>17101</b>	<b>135.09</b>	<b>18833</b>	<b>121.06</b>	<b>32180</b>	<b>168.99</b>

58 ACSR conductor, Power Transformer (Copper Wound), Distribution Transformer (Aluminium Wound), Cables, Steel Structure and indoor/outdoor Switchgears (including Circuit Breakers, RMU, Sectionalizer and Isolators).

Against supply of these DTs, contractors during a review meeting, requested (April 2018) the management of Jaipur DISCOM to allow price variation (PV) on these DTs. Jaipur DISCOM sought (April-May 2018) clarifications from REC regarding applicability of PV on such DTs. REC clarified (May 2018) that as per provisions of the SBD, PV is approved for aluminium wound DTs only. It further clarified (June 2018) that the SBD was approved from committee appointed by the MoP and modifications in SBD for allowing copper wound DTs may not be permissible now. It further stated that the DISCOM may however modify such specifications as per their requirement approved by SLSC. Further, the Contractors requested (March 2019) the management of Jodhpur DISCOM to allow price variation (PV) which was not responded to.

Jaipur DISCOM, despite previous clarifications, requested (April 2019) REC to allow price adjustment for copper wound DTs installed under DDUGJY. Jaipur DISCOM mentioned that copper wound DT procured (October 2016 to January 2019) by it involved heavy price escalation ranging upto 22.56 *per cent*. However, request of Jaipur DISCOM remained un-responded to till February 2021. Resultantly, Jaipur DISCOM did not release any PV on this account to the contractors till February 2021.

Ajmer DISCOM contrarily decided (June 2018) to allow price adjustment on single phase copper wound DTs on the pretext that REC had allowed price adjustment for transformers and the copper wound DTs are included in the specifications finalised by the DISCOM. Accordingly, Ajmer DISCOM released ₹ 8.45 crore to the contractors on account of PV on copper wound DTs till September 2020.

Audit observed that despite knowing about non-existence of provision for allowing PV on copper wound DTs in the SBD issued by REC and modified with the approval of SLSC, Ajmer DISCOM did not make any effort to obtain clarification/approval of the competent authority on the issue and on its own decided to allow PV on the copper wound DTs against the provisions of the work orders/contracts awarded to the contractors. Ajmer DISCOM did not even consult the sister concerns (Jaipur DISCOM and Jodhpur DISCOM) to reach a unanimous/uniform decision on the issue. Resultantly, Ajmer DISCOM irregularly incurred ₹ 8.45 crore against the provisions laid down in respective work orders/contracts.

The Government stated that Ajmer DISCOM has been directed to review the decision of CLPC at competent level and to intimate the result thereof within 30 days. However, no subsequent reply was furnished till November 2021.

## Conclusion

- The DISCOMs did not comply with the provisions of RTPP Act/ Rules and directions/guidelines issued by the CVC while procuring services of consultants/ PMA and awarding turnkey contracts for implementation of DDUGJY projects.
- The DISCOMs, without providing for DT metering, placed turnkey contract having provision for installation of DTs along with M&P boxes. In the absence of metering provision, M&P boxes installed (₹ 1.18 crore) under DDUGJY remained idle.

- Ajmer DISCOM contravened/misinterpreted the provisions of SBD issued by REC and approved by the SLSC and released ₹ 8.45 crore in favour of the turnkey contractors towards price variation on supply of single phase copper wound DTs without competent approval.

### **Recommendations**

#### **DISCOMs may**

- **Strengthen its procurement process to ensure compliance of provisions laid down under the RTPP Act/Rules, CVC's directions/guidelines, GoI Scheme and other mandatory norms.**
- **Ensure disciplinary action against the officers responsible for violating tendering norms and releasing extra payment towards price variation.**

