

# **Chapter I**

## **Introduction**



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#### *1.1 Integrated Power Development Scheme (IPDS)*

Ministry of Power (MoP), Government of India (GoI) launched (December 2014) Integrated Power Development Scheme (IPDS) for strengthening of sub transmission and distribution networks in urban areas including provision of Solar panels, metering of distribution transformers/feeders/consumers in urban areas<sup>1</sup> and IT enablement of distribution sector and strengthening of distribution network for completion of targets laid down under *erstwhile* Re-structured Accelerated Power Development and Reforms Programme (RAPDRP) by carrying forward the approved outlay for RAPDRP to IPDS.

The scope of work covered creation of new substations along with associated 66kV/33kV/11kV lines, augmentation of existing substations, erection of High-Tension lines including re-orientation/ re-alignment/ augmentation of existing lines, installation of new/ augmentation of existing transformers, drawing Aerial Bunched Cable for high theft prone areas and installation of suitable static meters for distribution transformers and all types of consumers. The IT enablement component envisaged implementation of Enterprise Resource Planning (ERP) and allowed expenses for scaling up the IT resources of RAPDRP part A towns to those newly added under IPDS. The Scheme envisaged Power Finance Corporation (PFC) as the Nodal Agency for operationalisation. All the five ESCOMS<sup>2</sup> in the State of Karnataka implemented the Scheme.

The Scheme guidelines prescribed implementation of the Scheme under total turnkey basis and allowed partial turnkey/departmental implementation in exceptional circumstances, with the approval of the Monitoring Committee.

The Scheme envisaged constitution of a Monitoring Committee under the chairmanship of Secretary (Power), GoI with representatives from Ministry of Power, Ministry of Finance, Ministry of Urban Development, Ministry of Housing and Urban Poverty Alleviation, Ministry of New and Renewable Energy, Central Electricity Authority and Planning Commission. This Committee was empowered to approve the operational guidelines prepared by the Nodal Agency and monitor the implementation of the Scheme. Tripartite agreements for implementation of the scheme were executed between

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<sup>1</sup> Towns with population from 15,000 to 5,000 as per census 2011.

<sup>2</sup> Bengaluru Electricity Supply Company Limited (BESCOM), Chamundeshwari Electricity Supply Corporation Limited (CESC), Mangalore Electricity Supply Company Limited (MESCOM), Gulbarga Electricity Supply Company Limited (GESCOM) and Hubli Electricity Supply Company Limited (HESCOM).

Government of Karnataka (GoK), PFC (on behalf of GoI) and ESCOMs between October 2015 and February 2016<sup>3</sup>. The Scheme was closed in 2019<sup>4</sup>.

### 1.2 Funding for the scheme:

The IPDS scheme guidelines stipulated funding 60 *per cent* of DPR cost through capital grant from GoI, 30 *per cent* from loans from financial institutions and remaining 10 *per cent* from own funds. An additional grant of 50 *per cent* of loan (*i.e.* 15 *per cent* of DPR cost) was also receivable on achievement of prescribed milestones such as timely completion of the scheme, reduction in AT&C losses as per the trajectory and upfront release of admissible revenue subsidy by State Government based on metered consumption. Further, ESCOMs were eligible for a grant of up to 0.50 *per cent* of approved project cost towards Project Management Agency (PMA) cost.

The ESCOM-wise project cost, grant received, loan obtained and own fund spent towards implementation of IPDS is tabulated below:

**Table No. 1.1: Statement showing ESCOM wise project cost, grant received, loan obtained and implementation cost**

(₹ in crore)						
Sl. No.	ESCOM	Sanctioned Project cost	Implemented cost of project	Grant received	Loan obtained	Own fund spent
1	BESCOM	544.85	591.39	303.25	209.29	78.85
2	CESC	190.24	188.47	112.49	61.39	14.59
3	MESCOM	212.89	242.50	126.74	63.12	52.64
4	GESCOM	190.63	196.74	113.23	73.37	10.14
5	HESCOM	239.83	270.11	141.54	50.50	78.07
	<b>Total</b>	<b>1,378.44</b>	<b>1,489.21</b>	<b>797.25</b>	<b>457.67</b>	<b>234.29</b>

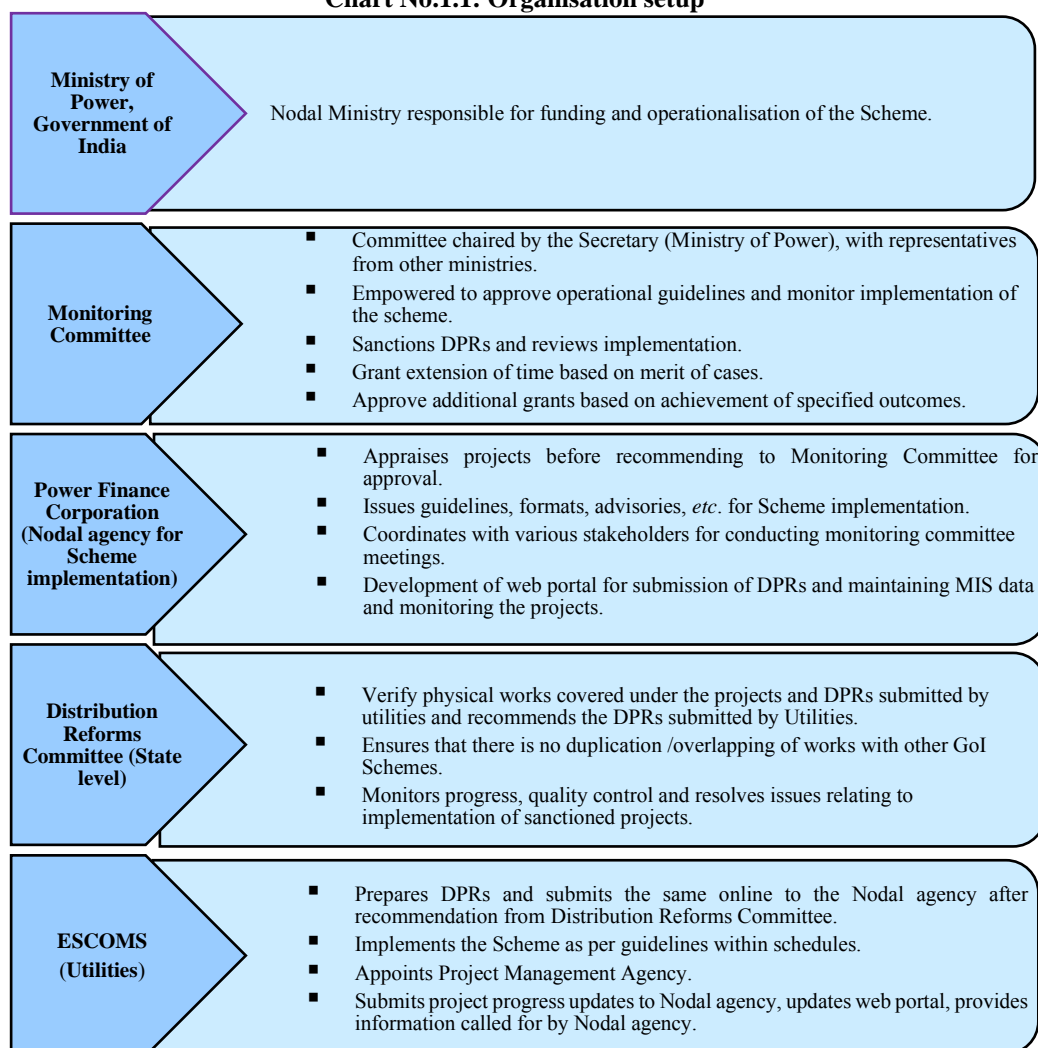
Source: Data furnished by ESCOMs.

### 1.3 Organisation set up

The Organisation set up for implementation and operationalisation of the Scheme is depicted in the chart below:

<sup>3</sup> October 2015 by BESCOM, CESC & MESCOM; November 2015 by GESCOM, and February 2016 by HESCOM.

<sup>4</sup> BESCOM -March 2019, MESCOM – June 2019 and CESC, HESCOM and GESCOM - December 2019.

**Chart No.1.1: Organisation setup**

#### 1.4 Audit objectives

The Performance Audit was undertaken to ascertain whether:

- i. ESCOMs were able to adhere to the funding pattern of the Scheme and manage funds in a cost-effective manner;
- ii. Components of the Scheme were planned as per field requirements and in compliance with Scheme guidelines;
- iii. Works were executed in a timely manner to achieve scheme objectives and were carried out with due diligence;
- iv. Scheme was monitored regularly in order to achieve its objectives.

#### 1.5 Audit criteria

The main sources of audit criteria for the Performance Audit were:

- Scheme guidelines issued by the MoP, GoI and PFC;

- Approved Need Assessment Document (NAD) and Detailed Project Reports (DPRs);
- Tripartite agreement with PFC, State Government and ESCOMs;
- Instructions/circulars/orders/manuals/guidelines issued by MoP, PFC, GoK and ESCOMs regarding the Scheme, decision of Technical Committee and Board/Sub-Committee Meetings of ESCOMs;
- General Financial Rules; Contract Agreements, Standard Bid Documents, and Sanction orders and
- Karnataka Transparency in Public Procurement (KTPP) Act 1999 and KTPP Rules 2000.

### 1.6 Audit scope and methodology

The Performance Audit was conducted in all the five ESCOMs covering the transactions under IPDS from 2014-15 to 2022-23. Audit drew a sample of 25 *per cent* using Probability Proportional to Size with Replacement Sampling (PPSWOR) method through IDEA software. The details of selected sample are given in **Appendix - 1**. The following table depicts the sampling methodology:

**Table No 1.2: Details of sample selected**

Sl. No.	ESCOM	Category	Sample size <sup>5</sup>
1	BESCOM	Division/ Town	Selected 8 divisions out of 30 covering 10 towns
2	CESC		Selected 5 divisions out of 18 covering 13 towns
3	MESCOM		Selected 3 divisions out of 13 covering 6 towns
4	GESCOM		Selected 4 divisions out of 16 covering 10 towns
5	HESCOM		Selected 7 divisions out of 25 covering 22 towns

Audit scrutinised records maintained at Energy Department, Corporate Offices and at selected Divisional/Sub-divisional offices of ESCOMs and Corporate Office of Karnataka Power Transmission Corporation Limited (KPTCL). The methodology also involved collection of information through audit requisitions and audit queries. Assets created under the scheme were physically verified on a sample basis at the selected Divisions along with the staff of the ESCOMS. Services of a Technical Consultant were availed for aiding Audit in physical verification of assets and for detailed verification of AT&C losses.

The records of PFC relating to sanction and release of grants to ESCOMS in Karnataka were also reviewed.

An Entry Conference was held on 22 July 2023 wherein Audit objectives, criteria, scope and sample were discussed with GoK. The Draft Performance Audit Report was issued to the Government/ Department in August 2024 and Government endorsed the responses of the ESCOMS to the Audit report in October 2024. The replies have been suitably incorporated in the Report,

<sup>5</sup> As the works were awarded Circle-wise and individual work orders were issued from Divisions, Divisions were the main units considered for sampling.

wherever necessary. The Exit Conference was held on 4 November 2024 wherein the report was discussed. The Government had accepted all the audit recommendations.

### **1.7 Audit findings**

Audit Findings are organised in the following chapters, viz.

- **Chapter II:** Financial Management.
- **Chapter III:** Planning and Implementation of Projects under the Scheme.
- **Chapter IV:** Monitoring

### **1.8 Acknowledgement**

Audit acknowledges the co-operation and assistance extended by the Energy Department of GoK, Management of ESCOMs and KPTCL in facilitating the conduct of Performance Audit.